

# Nation's Business

A USEFUL LOOK AHEAD

SEPTEMBER 1963



## *WHAT BUSINESS CAN DO FOR AMERICA*

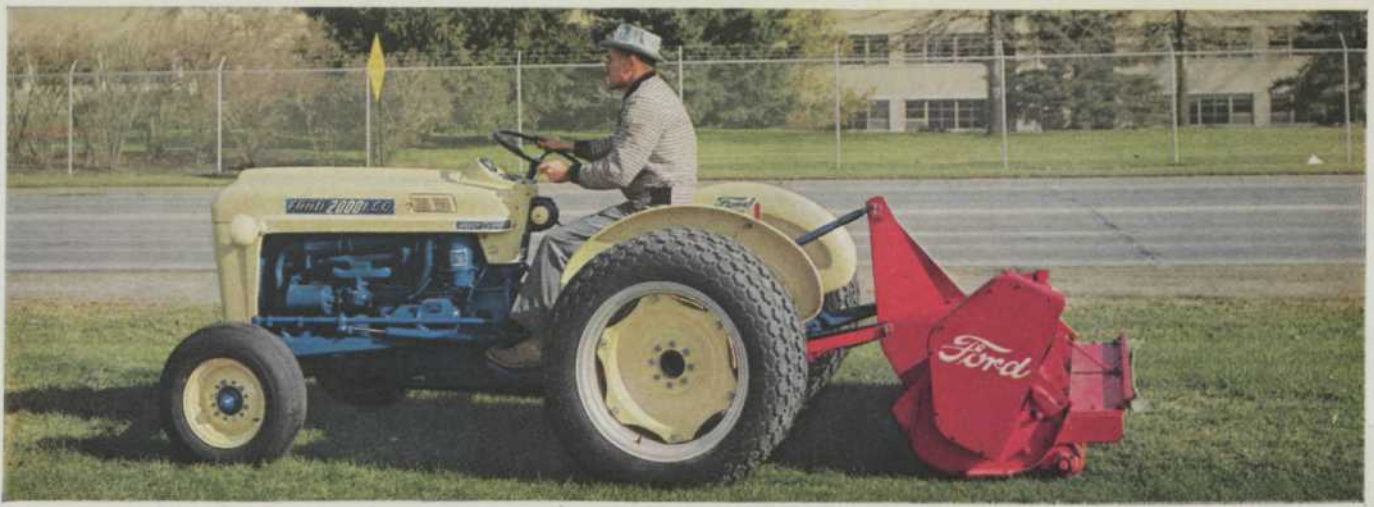
BY PRESIDENT JOHN F. KENNEDY

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Why local government serves best **PAGE 38**

How to hire key people **PAGE 54**





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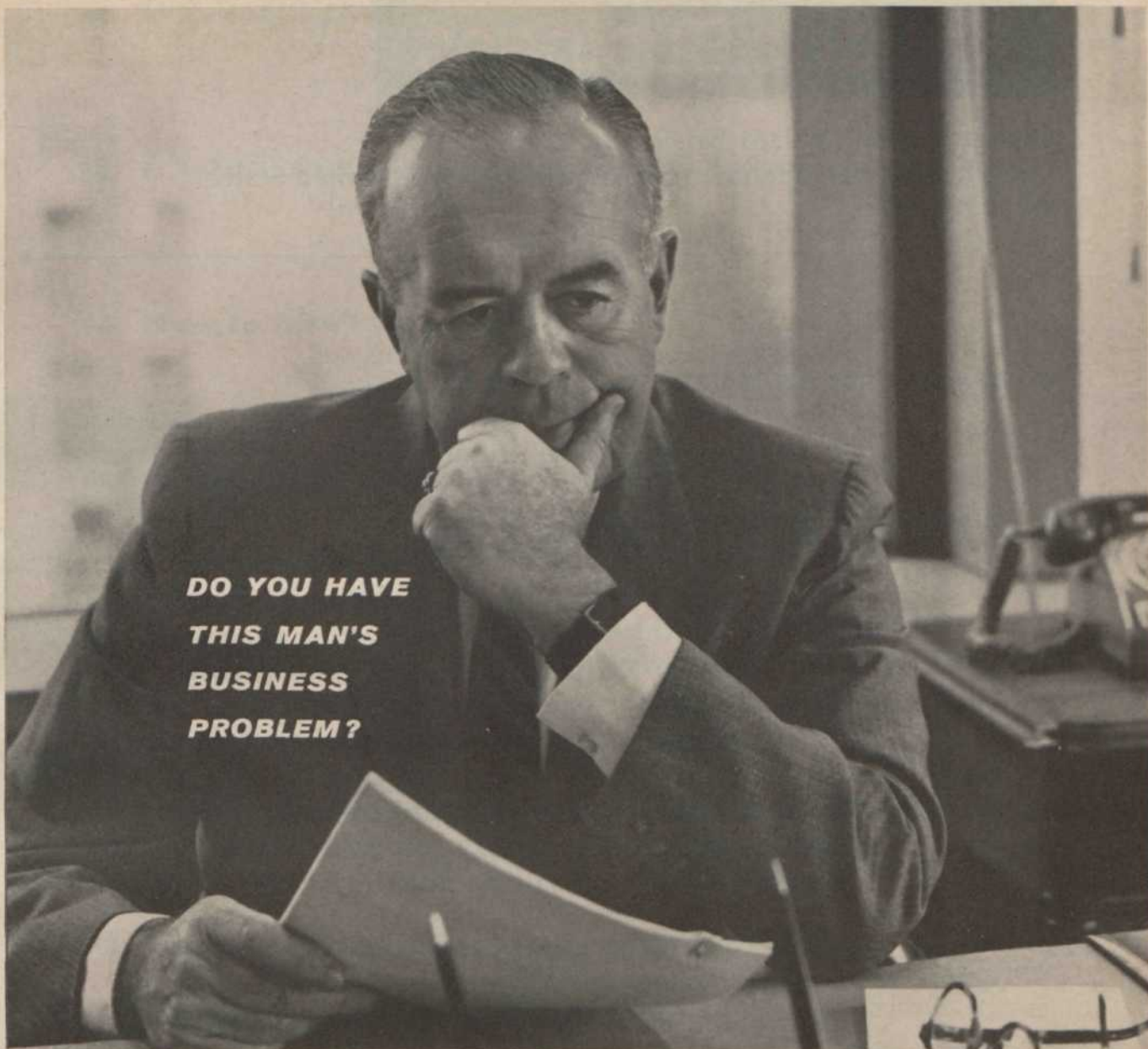


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# Nation's Business

September 1963 Vol. 51 No. 9

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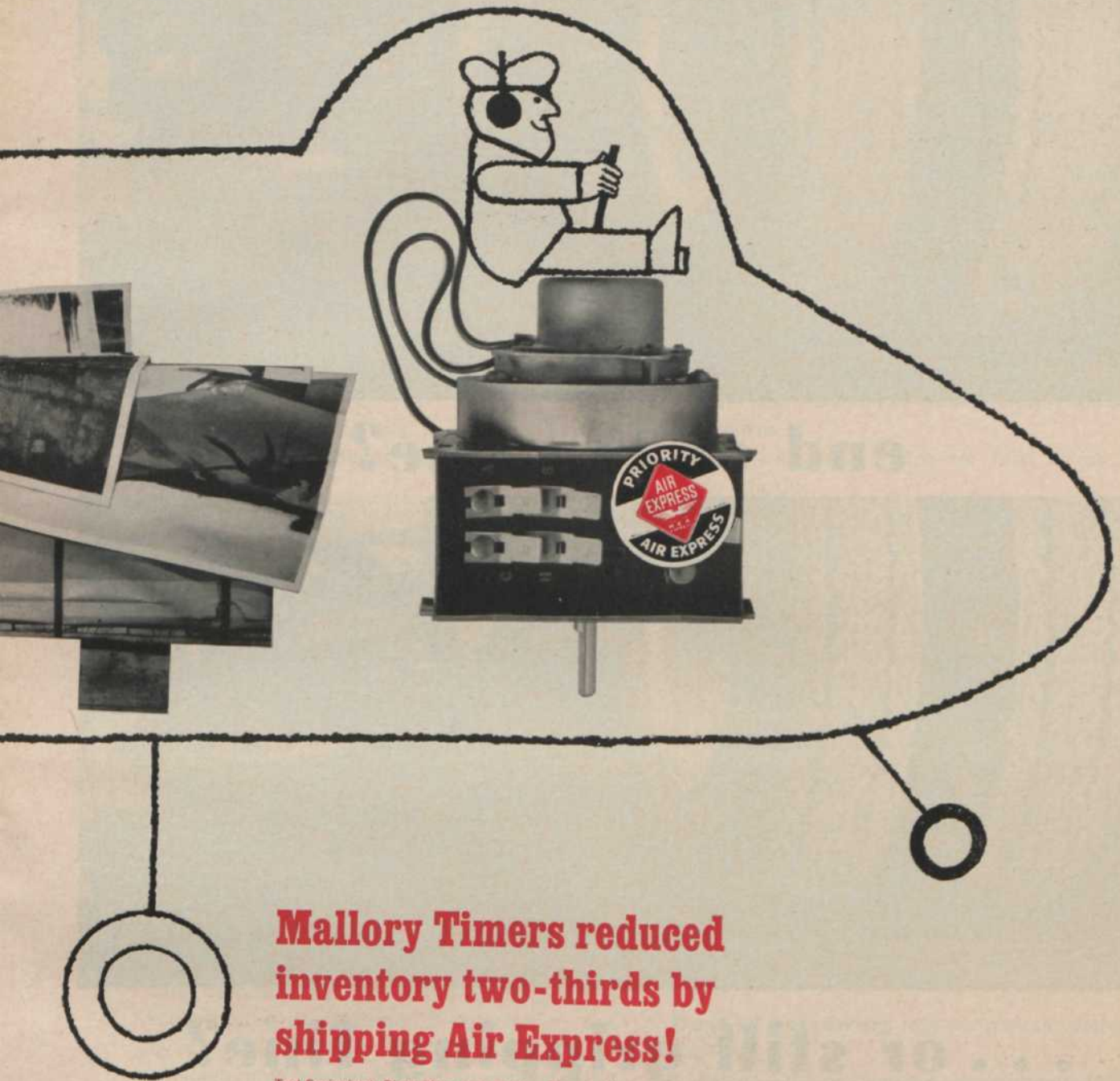
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# WASHINGTON BUSINESS OUTLOOK

## **Get ready for a boomlet.**

Economic forces are shaping up for biggest Christmas volume ever.

You can expect substantial advances leading up to Yule season.

**Boomlet means record-busting** volume. But economists won't start calling it a boom until jobless number is reduced and plants are working full steam.

That won't be soon.

Labor force specialists in Washington fear unemployment problems will drag on into next year.

Gap of unemployed plant capacity is narrowing for many industries—meaning improvement ahead, though not enough to wipe out excess capacity for some time to come.

So call it boomlet—not boom.

## **Next year looks good** for most industries.

Fresh look at major economic trends shows these realistic expectations:

Consumers will keep spending with moderate optimism.

Businessmen will boost investments in new plants and equipment.

Exports will expand.

## **Check these major industry** groups:

Durable goods—Spending for new and used cars, furniture and household equipment will keep moving up. Volume is expected to rise by at least \$1 billion in '64.

Nondurable goods—Rise of an estimated \$3 billion is forecast.

Services—From biggest spending ever, consumers are expected to lift this category by at least \$5 billion next year over this.

**Look for final tax action** no sooner than 60 days from now.

Chances are improving—though by no means

certain—that tax vote will be taken before Congress adjourns this year.

If so, look for it to be a two-year package that starts in January, second stage becoming effective in January '65.

You can expect Senate Finance Committee to hold hearings for at least a month before tax bill reaches Senate floor for debate.

It's certain senators will change some features of House proposals.

After that, conference committee will iron out differences.

Then—only then—watch for final action to come quickly.

Congressmen will be eager to get home for Christmas.

**Prices in year ahead** will begin to rise faster than in recent years.

That's forecast of farsighted price specialists studying trends.

Prospect is that consumer index will be up a year from now about twice as much as it has risen in past year.

**For family with \$10,000 income**, this means value loss equivalent to \$200 or more.

Wholesale price index, which has held steady for some time, may also be moving up.

See details—"Outlook for Prices in '64"—on page 36.

**Cost of borrowing** may not rise as much as expected.

Faster pace of business, government deficit problems, Federal Reserve policies put pressures on demand and supply of money.

But other trends—such as high savings rate, improved cash position of corporations—tend to hold interest charges down.

Balanced view, say economists, is that interest costs may already be about as high as they're going—for a few more months—unless



government money policies change. This is a fresh look at borrowing costs, an early bird view of what lies ahead. More information for your '64 planning will firm up in next couple of months.

**A \$90 take-home pay check** by Christmas. That's prospect for average factory worker with three dependents.

With average already near \$88.50 per week, pay's up \$3 from past year, trending higher through months ahead.

### After-tax pay for worker with three dependents

1957-1959 average	\$76.30
1962	\$86.10
1963	\$88.50

Average per week for manufacturing

**Take-home pay today**, if federal taxes were not deducted, would add up to more than \$100 a week.

Average for factory hands is expected to go above \$105 within next three months.

**Payroll rise reflects** basic improvement in general business conditions.

Number of Americans with jobs (farm work excluded) goes up more than 1.1 million in a year, adjusted for seasonal variations.

(Farm jobs drop roughly 280,000.)

But number out of work also goes up—about 175,000, also allowing for seasonal changes.

Situation characterizes what's to come.

**Future shapes up like this:** U. S. economy is growing fast enough to put most new workers into jobs, but not all.

Manpower specialists fear this will continue through '64.

**Jobs are more plentiful for adults** in most localities.

Improvement shows up here that isn't evident in over-all unemployment figures.

Jobless rate among married men is showing good progress, for example. It's currently about three per cent, much improved from past year.

But job prospects for youngsters age 14 to 19 are not so good, although nearly 4.5 million in that age bracket do have jobs.

Rate of unemployment among youngsters is up from past year, a factor that keeps total jobless rate as high as it is.

**This situation will get better** this month.

Reason: New school year starts.

More than 47 million youngsters will enroll in grade and high schools. Much of teen-age unemployment is among high school students who tell government surveyors they are looking for summer jobs, unable to find them.

An estimated 4.4 million will enroll in colleges and universities, including those who join work force for the summer.

Additional millions will go to vocational and other training schools operated by businesses.

**Survey results** showing reduction in teen-age unemployment will be released in Washington in about four weeks.

**Ever see a \$3 billion mistake?** Government has.

Commerce Department's revision of business statistics shows these trends:

Americans saved 7.5 per cent of income in



# WASHINGTON BUSINESS OUTLOOK

past year. Rate formerly was reported as 6.8 per cent.

Small difference?

Not at all. It means Americans saved \$3 billion more than was reported through government sampling surveys.

**Savings rate** during first three months of this year was reported at less than \$25 billion.

Revision based on newest information lifts this figure. Current savings rate is probably running above \$30 billion.

**What this tells you about business** is that there is more money available than consumers are spending.

Average family is saving \$750 out of every \$10,000 annual income.

**New surge of economic growth** appears to be shaping up in Latin America.

U. S. businessmen can expect to benefit substantially.

Our exports to Latin American countries have been drifting lower in recent years as European producers have sold a larger share of that market.

Now the economic winds appear to be shifting in favor of U. S. goods.

That's prospect for years up to 1970.

Economist Intelligence Unit, with world-wide economic reporting service, analyzes which industries will do best and where goods can be sold. See page 80.

**Union organizational troubles** will be indicated by new survey coming out soon.

Study will show that membership is falling, despite increase in population, work force and employment.

Bureau of Labor Statistics is government agency doing survey.

Earlier study found that membership for 184

unions headquartered in U. S. had grown only 36,000 in two years.

Total membership was 18.1 million.

New survey will show fewer. Watch for result about end of October.

**Don't be fooled** by coming decline in new housing starts.

Special situation could prove misleading unless you look at facts behind statistics.

Decline is anticipated from sudden rise in number of new homes which have been started since spring.

Example: Index of new dwellings authorized by local building permits shot up an estimated 10 per cent in single month.

Drop in rate of new building will be from that lofty height.

Current rate of building is well above record year '59, exceeding past year by very comfortable margin.

**Indicated for next year:** Another rise to set new annual record.

Total of around \$19 billion worth of new homes went up in '59, less each year since.

Dollar value will surpass that amount this year and next.

## New home building will rise for year

IN BILLIONS

1960	\$16.4
1961	\$16.2
1962	\$18.3
1963 (estimated)	\$19.0

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## Business opinion:

# Doctor disagrees on value of degrees

I HAVE read NATION'S BUSINESS for a number of years with a great deal of appreciation for the breadth and depth of coverage of the total business and economic scene in America. An article in the July issue, however, prompts this letter. The article is entitled "Educationists' Gadgetry Produces Poor Teachers," by Felix Morley.

Dr. Koerner's attack upon the Doctor of Education degree, as cited by Dr. Morley, is indefensible. There are a number of Doctors of Philosophy that still hold his point of view, but few who are really informed. See "The Doctorate in Education" (Washington, D. C.: The American Association of Colleges for Teacher Education, 1961, pp. 14-15.) Also see Everett Walters "What Degree for College Teachers?" (Journal of Higher Education, XXXI, February 1960, pp. 72-73.)

Obviously some schools have watered down the degree requirements for Doctor of Education but these are few. I earned my Doctor of Education degree at Duke University—a very reputable institution—and my degree was conferred by the Graduate School of Arts and Sciences, the same as the Doctor of Philosophy. The only difference in the two degrees at Duke is the language requirement; however, I had statistics on my doctorate and, having studied four foreign languages, I know they are easier than statistics.

Dr. Koerner's charge that the research topics of the dissertations have reached the ridiculous state may be well grounded. However, he fails to point out that if this is true in the Doctor of Education degree it is likewise true of the Doctor of Philosophy degree. Dr. Koerner would do well to check the dissertation abstracts (available in any good university library) and discover that there are more (numerically) of such ridiculous titles culminating in a Doctor of Philosophy degree than there are resulting in Doctor of Education degrees.

Degrees do not guarantee the competency of any man, yet Dr. Koerner's book, as well as Dr. Morley's article, infers that the degree makes the man. I was under the impression that the man made the degree.

DR. ALLAN R. SHARP  
Director of Ministerial Education  
Atlantic Christian College  
Wilson, N. C.

## Tone disappoints him

I'm disappointed with "Double Talk Cuts Egghead's Value to Business" [April].

Although George Odiorne undoubtedly wrote the article in a serious attempt to offer the businessman some useful information, I'm afraid the tone of his remarks may have done more harm than good.

Much of what he points up is awfully true—unfortunately. But it's also unfortunate that he's saying these things to the wrong audience: the businessman already knows all this. This article could more appropriately have been published in some social science journal.

But, then, it might have been hard to find one willing to publish it.

JAMES P. DENDY, JR.  
The Boeing Company  
Seattle, Wash.

## Managers' first goal

Regarding "Management in the Future" [July], no wonder the large corporations are in a profit squeeze if young managers are being taught that the ultimate purpose of management is to produce goods and services, to develop a society here or in India, or to understand the Common Market.

Isn't a manager's ultimate purpose and sole responsibility the requirement of earning a fair return on the stockholder's investment?

We'll never have a healthy business climate until businessmen overcome the fear of stating the fact that business is for profit.

H. K. FOOTE  
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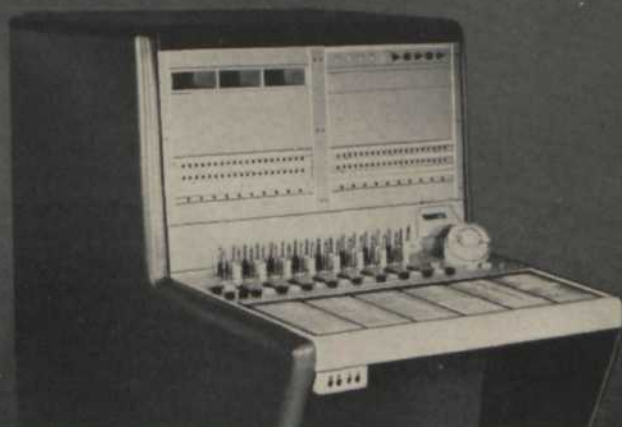
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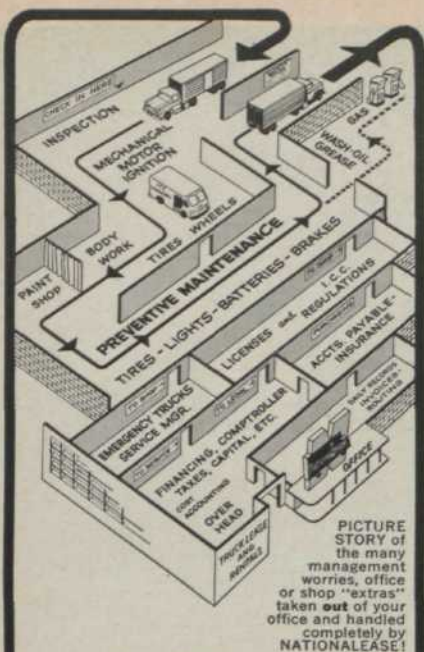


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# Executive Trends

- Education: the business stake
- Why special services are booming
- Tough questions test managers



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The return this month of millions of young Americans to high schools and colleges across the nation provides a note of unusual timeliness for the question:

How much and in what ways do American businesses benefit from their investment in education?

More and more corporate dollars are flowing into the educational system.

The Council for Financial Aid to Education reports that company contributions to higher education jumped from approximately \$78.5 million in 1954 to \$200 million last year. A further increase is projected for this year. The Council estimates that corporate giving to colleges and universities will top \$500 million annually by 1970.

Increases have come not only in direct gifts to colleges but in financial aid to foundations, in scholarships and fellowships for individuals, in research grants, and in other forms, including the subsidization by many companies of educational effort by employees.

What about the feed-back?

NATION'S BUSINESS asked this question of economists, educators and business leaders. Virtually all agree that business derives vital benefits from its support of education, particularly at the university level. One businessman, Charles J. Zimmerman, president of The Connecticut Mutual Life Insurance Company, states flatly:

"America's economic progress, and all other progress... will depend almost totally upon the job we do in education."

The payback factor in business sup-

port of higher education has a number of important facets, authorities point out.

In a period when companies badly need workers with a high degree of ability and job preparation, institutions of higher education are a key source.

J. E. Smith, a spokesman for Armstrong Cork Company, tells NATION'S BUSINESS:

"There is no doubt that we [at Armstrong Cork] have benefited from the support of higher education. Forty-seven per cent of our male salaried employees are college graduates. Support of higher education provides not only people of high caliber, but also ideas and services, such as fruitful results obtained from study sponsored by our research grants."

A somewhat different view of the broad outlines of educational investment and its impact comes from Martin R. Gainsbrugh, vice president of the National Industrial Conference Board. He says:

"Education is but one of many societal factors affecting a nation's growth rate. Indeed, the very form of government can influence economic growth through dulling or stimulating industrial or business incentive. Religion, too, can alter man's desire for material goods and his work motivation.

"Briefly, then, education has played a significant role but its importance may well be overemphasized in current discussion."

Some business spokesmen challenge the idea that corporations have an obligation—as corporations—to channel funds to colleges and universi-





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## EXECUTIVE TRENDS

*continued*

ties. Economist Ira T. Ellis of Du Pont, for example, believes that "massive financial support of higher education" using stockholder-owned funds is not a proper function of corporations, but should be a matter of personal action by individuals in all walks of life.

"To promote the aim of higher personal contributions for education and similar purposes," says Mr. Ellis, "we need substantially lower rates of federal personal income taxes, especially in the higher brackets where much of the property accumulation occurs. Under today's tax laws it is difficult for individuals to accumulate large amounts of capital from earnings.

"Reduction of federal spending and therefore of federal tax rates would also permit further increases in tuition and other college charges to help finance higher education."

• • •

**Keep your eye on business services.**

That's the booming business of providing companies with services of a unique or short-term nature—emergency secretarial help, leasing, special sales teams used to introduce a new product, and so on.

From relatively miniscule standing as recently as the 1940's, the business services field, especially that involving firms which supply emergency manpower, has zoomed to multimillion dollar heights and is pacing the rapid growth of service industries as a whole.

One prominent representative of business services, Elmer L. Winter, president of Manpower, Inc., says he foresees continued growth in demand for employees of the kind supplied by his firm through its 300 offices in this country and in Europe, Canada, Japan, Australia, and countries of Latin America.

This will come despite the effect of automated procedures on office operations and personnel requirements, Mr. Winter believes. An attorney by background, he and an associate started Manpower, Inc., in 1948, lost \$10,000 their first year, had a sales volume of \$56.7 million last year.

Mr. Winter says increased paperwork requirements which government imposes on business have caused an increased demand for temporary clerical help. He also attributes the surge in his business to the fact that many firms find they can cut costs by using tempo-





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## EXECUTIVE TRENDS

continued

rary employees on many jobs instead of maintaining fulltime complement.

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The Business Council for International Understanding, which trains executives preparing for overseas assignments, finds that "surprisingly few do well in explaining our economic system to persons of other countries."

John S. Walter, deputy director of the council's training program at American University in Washington, says, "The American businessman, by and large, has not been equipped to work in cross-cultural situations which arise when U. S. companies go international and move personnel abroad."

Representatives of the United States Information Agency are used in the Council's training program to play the roles of foreigners who needle Americans or probe for an explanation for why we do things the way we do. Replies of trainees in such sessions frequently are less than articulate.

Why is this so? Mr. Walter thinks the explanation is that many businessmen are so wrapped up in their own job specialization that they do not take the time to step back and study our economic system or to determine just how much they don't know about it.

• • •

More and more businessmen are making their influence felt in state and local politics, despite the traditional reluctance of some to enter this field (see "Washington Mood," page 21).

From throughout America come reports of executives contributing their energies, as well as their money, in support of political candidates. Many have volunteered their services in precinct work preparatory to the 1964 elections. Some are even seeking office themselves.

A steadily increasing number of companies are sponsoring nonpartisan political action courses for their employees. An estimated half million persons have taken the Action Course in Practical Politics of the Chamber of Commerce of U.S. since it was first offered four and one half years ago.



Jean King, owner, Bazaar Travel Bureau, Inc.  
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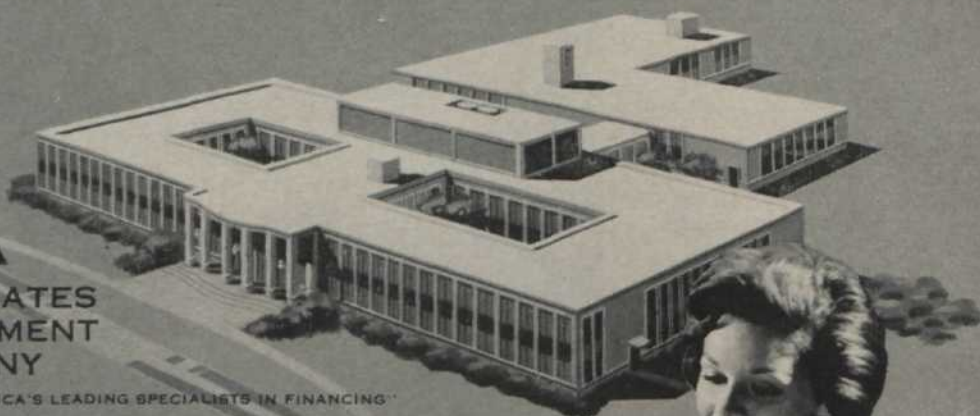
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## Political parties need more than your money

BY MERRIMAN SMITH

SINCE THEY HAVE SUCH A REPUTATION for squabbling among themselves, Democrats are comforted no little when top Republicans begin throwing rocks at each other.

Thus, President Kennedy undoubtedly derives some degree of satisfaction and possibly a bit of amusement at the discontent reflected in the high-powered jockeying between Sen. Barry Goldwater and Gov. Nelson Rockefeller for post position in the 1964 G. O. P. race.

The somewhat unusually early skirmishing between the Rockefeller and Goldwater forces has tended to obscure a problem which many thinking Republicans regard as being importantly basic. This problem truly is dual. It involves the recruitment of younger, more attractive and more aggressive candidates on the local, state and congressional levels, plus the matter of getting some real political organizational work out of conservatives who feel they have done their bit simply by mailing in a contribution.

Rather than see a third party of southern conservatives siphon off a certain amount of support into meaningless columns of also-ran figures in the fall of 1964, the Republicans would like to recruit some attractive G. O. P. candidates in the south for Congress (to say nothing of the metropolitan and industrial areas of the big-vote states).

Typical—possibly more than typical—of Republicans who are trying to do something about the southern situation is Horace E. Henderson of McLean, Va., the state Republican chairman. Mr. Henderson is a 45-year-old former Democrat who was attracted into the Republican party in 1952 by Gen. Dwight D. Eisenhower's first presidential candidacy.

He says his party's lineup of state candidates will represent a 100 per cent increase over any previous G. O. P. offering in Virginia.

*Merriman Smith is the White House reporter for United Press International.*

Mr. Henderson's in better shape than many of his southern Republican colleagues. The Virginia G. O. P. in 1962 elected two congressmen and came close to capturing two other House seats. But there remains a difficult problem of a split vote among the conservatives. The Democratic power in Virginia is represented by the veteran Senator Harry Flood Byrd who is about as conservative, particularly on matters of government finance, as any Republican.

Thus the Republicans in Virginia will have to base their appeal for Democratic defectors more on state than on national issues.

This situation is duplicated in other states.

Recently in the Old Dominion there has been an easily detectable surge of enthusiasm for Senator



*Many businessmen find it practically impossible to picture themselves as candidates for minor offices*

Goldwater among some of the business leaders and well-to-do folks who see in the Arizonan a chance to lead federal policy into much more conservative paths.

Men and women of this sort have contributed money. They were sufficiently fired up to attend a



## TRENDS: WASHINGTON MOOD

large Goldwater-for-President rally in Washington during the summer, although they were a bit disappointed that their idol could not make it to the meeting himself.

But beyond mailing a check and attending an occasional rally, working politics is pretty much of a mystery to these people. There is some hazy mystique about precinct, practical politics to many businessmen; a matter better left to the professionals.

This type of thinking is what the national Republican leadership, from General Eisenhower on down, has been seeking to correct for some years, particularly since Mr. Kennedy's squeak-through victory in 1962.

The Democrats have not had quite the same problem. Their national strength for years has derived to a large extent from a coalition of minorities who, by their very nature, are political activists. This is why at times the Democratic party can split asunder between elections, but pull back together when faced with a common foe.

General Eisenhower believes that too many businessmen who yearn deeply and sincerely for the Republican party to return to national power still are not willing to put themselves on the political firing line. Their reasons are various: too busy, don't know enough about it, electioneering is too seamy, the thought of offering themselves for minor public office is beyond either comprehension or consideration.

There have been some recent examples that would seem to attack the antiparticipation theory of many Republican businessmen. One was the election of George Romney of American Motors as governor of Michigan. Another is the drive for the Illinois G. O. P. gubernatorial nomination by Charles Percy, the dynamic boss of Bell & Howell.

In truth, the Democrats offer an even wider slice of wealthy, influential men who went into professional politics with success and vigor, starting off with the President, himself, and his two brothers; Secretary of Commerce Luther Hodges, and Undersecretary of State Averell Harriman. Admittedly these cases are rather notable, but each man, for all his wealth and regardless of motive, slogged through the ward level of politics on the way to his present high federal station.

What both parties well could use are leaders of business, labor, and the professions who are willing to grub in the lower echelons of politics. Either party can come up with attractive candidates for high office, but it is on the lower levels—the local, county, and state levels—where a greater diversity of political participants is needed.

Over the years, the makeup of Congress, from the standpoint of professional background, has broadened considerably. Although lawyers still predominate, there has been a small but steady increase in men and

women from other backgrounds, including education, labor, and some from business.

This encouraging trend, however, does not get to the root of the matter; it does not bring people eminently qualified for leadership into local, county, and state political activity. [For another view see "Executive Trends," page 19.]

An enthusiastic southern conservative executive was telling recently how he was working "heart and soul" for Senator Goldwater.

Asked what he meant, he said lavishly, "I've contributed to the state and national funds, and I've gotten a lot of my friends to do the same."

One of his listeners, a dour veteran of the Washington scene, said, "So far, so good—why don't you run for county supervisor or the state legislature—if you're such a hot conservative and a Republican, that is the way to strengthen your party in this state."

The executive was stunned by the idea.

"What would I do in the legislature?" he replied. "Me run for office? In the first place, so few voters in this section know me that I'd be laughed out of town before I was licked. And besides, where would I find the time for this sort of thing?"

This was a man who complains bitterly from time to time about what happens in his state capital, yet offhand, he could not give the name of his representative in the state assembly.

What he does not stop to remember, in the pressure of running his business affairs and fighting what he regards as excessive government regulation, is that somebody finds the time to run for county super-



*Contributions are important, but can't take place of down-to-earth political work in local campaigns*

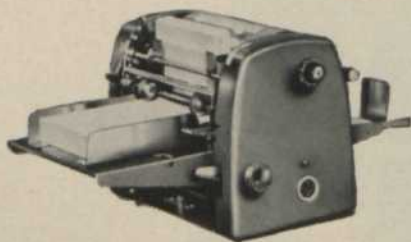
visor and the state assembly. And these somebodies grow up to be congressmen, senators, governors, and on occasions, Presidents.

No one would expect business, professional, and labor leaders to leave their posts en masse and suddenly offer themselves for office. But they might help themselves and the country, too, by actually working in a political campaign. Most labor leaders have learned their lesson. It will be interesting in 1964 to see how many of their opposite numbers absorb and put into operation the same knowledge.





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## Electoral reform would make your vote more important

BY FELIX MORLEY

WITH THE PASSING of summer the presidential campaign of 1964 begins to get into stride. From now on politics, and political considerations, will be increasingly to the fore.

Although the first preferential primary (New Hampshire) is still six months distant, it is already apparent that preconvention maneuvering will this time be more complicated and probably even more acrimonious than usual.

It is as certain as anything can be in politics that the President will be the nominee of his party. But the narrowness of his victory in 1960, and the depth of the split between northern and southern Democrats, combine to give aid and comfort to Republican strategists.

On the other hand, discord is by no means lacking within the G.O.P. And the greater possibility of a Republican victory, the more bitter will be the contest to select its standard-bearer.



With the stage thus set, and with the vivid interest that our presidential campaigns always arouse, it is curious that one fundamental consideration has as yet received so little attention from the commentators. This is the alteration in the composition of the Electoral College that has taken place since the 1960 voting. It will affect the strategy of both parties the more because the whole device of the electoral vote has been at least inferentially attacked in recent Supreme Court decisions.

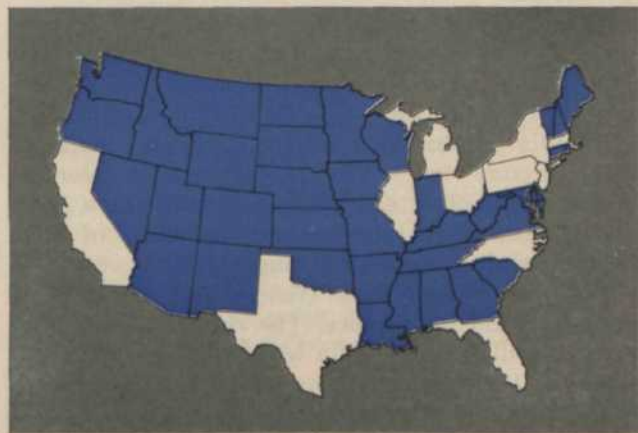
In March, 1962, in the Tennessee reapportionment case, the Supreme Court ruled that "equal protection of the laws" is denied, and the Fourteenth Amendment therefore violated, unless the districts electing State legislators are of approximately equal population. It was called "invidious discrimination" for a district with several times the population of another to have only the same numerical representation at the State capital.

From this conclusion two of the nine judges dissented strongly. In what turned out to be his last opinion from the Bench, Justice Frankfurter argued

that the American theory of government has always emphasized qualitative rather than quantitative representation. He called this decision (*Baker v. Carr*) "a massive repudiation of our whole past."

During the 18 months since the Tennessee case was decided many State legislatures have conscientiously endeavored to redistrict so as to make every vote of approximately equal weight. But the effort has been confined to the composition of these local representative organs. The principle of arithmetical equality has not been applied to congressional districts and there is no serious move in Congress to make it applicable.

Neither is there any chance that the present Congress will promote reform of the Electoral College, although the inequities in its functioning are far more pronounced and far more significant than is the



*Electoral votes of the 11 states in white above could elect new President even if all others opposed him*

case with the distribution of seats in State legislatures.

It is in his vote for President of the United States that the American citizen, regardless of party, really suffers "invidious discrimination." The Supreme Court has not yet attempted to confront that issue.

Because it never meets as a body, and functions only once every four years, many Americans have



## TRENDS: STATE OF THE NATION

only a vague idea of what the Electoral College is. They do not realize that in three presidential elections, to which 1964 could add a fourth, the system has worked to defeat the candidate who was actually favored by a majority of the voters. And, as at present operated, it always profoundly distorts the popular vote in favor of one or another candidate.

In 1960, for instance, the two leading contestants received a practically equal popular vote. The difference in Mr. Kennedy's favor, as far as it can be accurately calculated, was barely one tenth of one per cent of the nearly 70 million ballots cast. But Mr. Kennedy's electoral vote—the one that really counted—was 303 to Mr. Nixon's 219, a comfortable margin of 16 per cent. A further anomaly is that Senator Harry Byrd, who was not a candidate and received only a handful of write-in popular votes, nevertheless was given 15 electoral votes. That is the number an active candidate would now obtain if he carried the five States of Alaska, Delaware, Nevada, Vermont and Wyoming.

The Electoral College, as established by Article II of the Constitution, has a membership equal to the total representation of each State in Congress, both Senate and House. Since every State has two senators and at least one representative, no State can have fewer than three electoral votes. The ceiling, however, rises or falls in accordance with each State's population as determined by the latest decennial census. But these changes must be within the total membership of the so-called College. For the 1964 election this will be 535, corresponding to the congressional total of 100 senators and 435 members of the House.

Since population changes throughout the country are very uneven, this complicated system means that some States gain sharply in electoral votes while others lose proportionately. Thus, by the last census, California gained eight congressmen and therefore eight electoral votes. Florida gained four. Pennsylvania, on the other hand, lost three while New York and Massachusetts each lost two. A number of other States each lost or gained a single electoral vote.

For two reasons these changes are currently of great political significance. The coming presidential election will be the first in which they are reflected, since the 1960 census returns were not verified before the Kennedy-Nixon contest, in which the all-important electoral vote was based on the 1950 census. The alterations now in effect are so pronounced as to require quite different forecasting and strategy by the professional politicians.

In the second place, factionalism has weakened the undemocratic practice whereby the entire electoral vote of a State is cast for the candidate who receives even a mere plurality of the popular vote. This "winner-takes-all" procedure has no precise legal sanction but is entrenched because it is impartially helpful to the professional politicians. It is a

persuasive argument, in the key States, that financial contributions will serve to swing a massive bloc of electoral votes.

But this practice is glaringly inconsistent with the Supreme Court dictum that a State should not "weigh one person's vote more heavily than it does another's." The 1960 election in Illinois will illustrate.

In that politically important State 2,377,846 votes were counted for Mr. Kennedy and 2,368,988 for Mr. Nixon. Since more than 10,000 valid votes went to a third candidate, Mr. Kennedy failed to obtain a majority, yet all of the then 27 electoral votes of Illinois were cast for him. In California, where Mr. Nixon won by an eyelash, the political result, though not its undemocratic nature, was reversed.

In the coming presidential election 268 electoral votes, being a majority of the total of 535, will be decisive. It is noteworthy that this majority, next year, can be exactly provided by just 11 of the 50 States, the electoral vote of which will be: New York 43, California 40, Pennsylvania 29, Illinois 26, Ohio 26, Texas 25, Michigan 21, New Jersey 17, Florida 14, Massachusetts 14, North Carolina 13.

If the unit rule for the electoral vote is maintained a candidate running narrowly ahead in these 11 States would become President, even if the popular vote in the other 39 States were ten to one against him. For that reason party leadership concentrates on solidarity and discipline in these key States.

But there is no basis for party solidarity without a common and distinct political philosophy, for Democrats on the one hand, Republicans on the other. Since this is so clearly lacking, the situation encourages not party shifting so much as the selection of uncommitted electors. They have the unquestionable right to cast their conclusive presidential votes for anybody they choose, whether or not a party nominee. That is what worries the pros in both parties, and makes the outcome next year unpredictable.

Already one result of the bubbling fluidity in the political scene is obvious. For the first time in the history of the Republic we see a potential candidate from a State which ranks near the bottom in the column of electoral votes.

Senator Goldwater's Arizona has only five of these all-important votes, less than one per cent of the total. Governor Rockefeller's New York disposes of 43, or slightly more than eight per cent. Other factors aside, that ratio would once have reflected the betting odds for the nomination of potential opposition party candidates from those two States. It certainly does not do so today.

More than any other factor, the recalcitrance of professional politicians has so far prevented that reform of the Electoral College which is so evidently overdue. The Supreme Court has inferentially criticized the present arrangement. But a more cogent reason for expecting change is that the system of winner-takes-all has begun to work against the interest and control of those who make politics their primary business.



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Atlanta—Birmingham	10	3 hrs. 45 min.	1.65	1.90	2.20
Pittsburgh—Cleveland	15	2 hrs. 55 min.	1.60	1.85	2.15
Dallas—San Antonio	10	7 hrs. 15 min.	1.90	2.15	2.45
St. Louis—Kansas City	9	6 hrs. 30 min.	1.90	2.15	2.45
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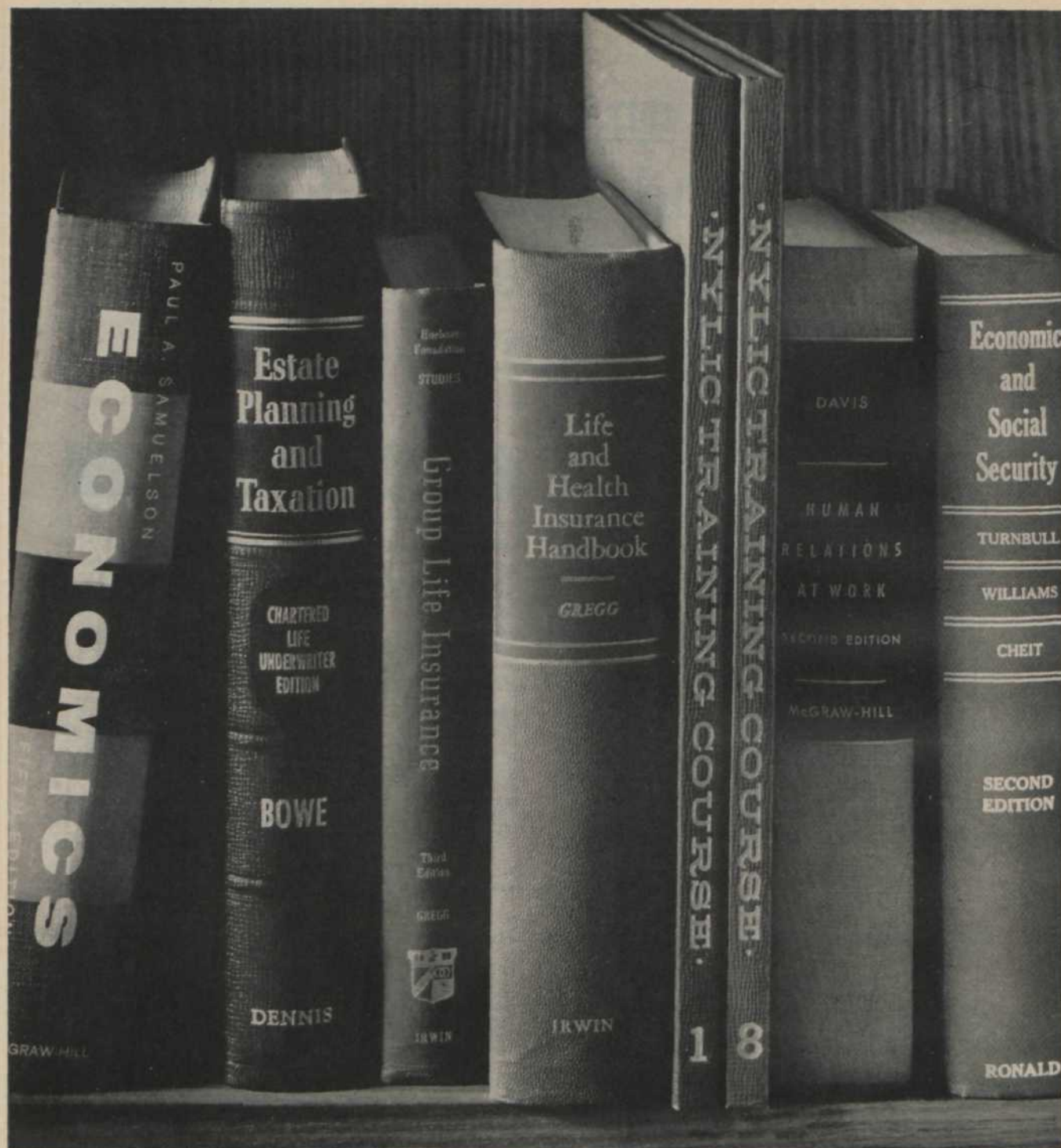
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# *WHAT BUSINESS CAN DO FOR AMERICA*

BY PRESIDENT JOHN F. KENNEDY

President writes directly to Nation's Business readers on taxes, price policies, world trade, investment, economic growth and civil rights

MEMBERS OF THE BUSINESS COMMUNITY play a vital role in maintaining and building the strength of the American economy—in converting its great potential into higher standards of living and Free World leadership.

It is to this community—guided by the free play of market forces but responsive to the national interest—that I address these thoughts on what business can do, and what government and business can do together, to achieve these common aims:

Getting our economy back to maximum operation,

Speeding our rate of growth,

Improving our competitive position in world markets,

Avoiding inflation, and

Equalizing opportunity for all.

These are the aims all of us share. Each group in our economy has





# WHAT BUSINESS CAN DO FOR AMERICA

continued

a responsibility to take actions to help achieve them—and in so doing to help America and help themselves.

## TAXES

Although the present expansion, now in its thirtieth month, has reversed the postwar trend of ever-shorter expansions and more frequent recessions, and has generated solid gains—a 13 per cent growth in real output, a 21 per cent rise in industrial production, a 13 per cent rise in personal income, a 30 per cent rise in corporate profits—both unemployment and idle capacity remain far too high.

Too many of our plants stand idle, too much of our work force is unemployed, too many of our potential sales are not made and, thus, part of the country's economic strength lies fallow.

This Administration has proposed tax action that would advance our economy, that would turn potential into actual sales, that would move workers from employment agencies to their jobs, that would keep machines humming full-time, that would lead to new and larger orders for raw materials and equipment.

The drag of inadequate markets has slowed our economic growth in recent years. This drag will not fall away simply because we wish it so. In part this drag consists of what you and I know is a burdensome tax system born of war and inflation. The tax program I have recommended can lighten the drag on growth: Through its impact on consumer markets and sales and through its stimulus to after-tax profits, it would set the stage for the more vigorous investment response that is crucial to the future growth of business and the country.

This action—tax reduction and reform—would spur output and investment. It reflects a conscious decision to stimulate the economy chiefly through private rather than public channels, to give American business the opportunity, and the responsibility, of meeting the needs of the American economy and all its citizens.

Government is not interested in making a larger share of the decisions on where to spend, but it is interested in creating the climate through tax reduction and reform for more investment spending by business and for more buying by consumers. When tax revision is enacted, it can be made more effective as you revise your investment and other plans upward, in accordance with the improved profit and demand picture.

But tax revision has not yet been enacted. You can help even today in creating a stronger America by supporting that tax revision program. There exists no magic tax policy that will fully satisfy everyone and every interest—yet prompt action on tax relief and reform will benefit us all. If we quarrel over every sentence, the book will never be written. The full support of the business community for prompt and appropriate tax action is urgently needed. The common interest in an over-all program of tax reduction and reform must transcend the particular interest of individual groups.

## BALANCE OF PAYMENTS

Our balance-of-payments position has been a source of continuing concern. Here, too, we have made progress. But the times demand even greater progress and even greater effort. Government can do much to defend and strengthen the dollar and to promote the interests of U. S. business around the world.

In our tax and monetary policies, in our international monetary arrangements, in our rigorous dollar-conserving measures in aid and



defense, and in our export credit and expansion programs—buttressed by the strong new measures announced in July—we are making a major effort to bring the U. S. balance of payments into equilibrium. But again, there is a role that only you can play.

The Trade Expansion Act and the forthcoming tariff negotiations with the European Economic Community and other nations are opening a new era of world trade and international business opportunity. The time has come to seize these opportunities, to seek out the potentials that lie in foreign markets.

Although many producers have responded quickly and successfully to the growing challenges of foreign competition, we are far from being a nation of exporters. United States firms can meet the test of the world market successfully if they search out their opportunities aggressively.

I urge you—and the prospect for new profits urges you—to redouble your own export efforts. Your active personal support for the White House Conference on Export Expansion to be held September 17 and 18 can also contribute to a successful national export effort.

This nation's efforts to increase production and profits comprise another key element in the improvement of our balance-of-payments position. As we expand our home market, and increase rates of return by cutting costs and making full use of our productive capacity, investment funds that now go abroad will stay at home. And as they stay at home, they will help to build the base for faster growth of our own economy.

## PRICES

Our remarkable wholesale price stability in the past five years while prices in most other industrial countries were rising substantially has given us a solid base for an improved international competitive position.

Investment to reduce costs and improve products and measures to advance the skill and productivity of our workers will further strengthen our competitive position—but only if the productivity gains are not dissipated in fruitless spirals of rapidly rising wages chasing higher prices, and vice versa. That is why we have called upon labor and business to exercise responsible restraint, basing wage and profit increases on fair shares of rising productivity.

The continued need for a vigilant national effort to avoid a resumption of the inflation of past periods will become even more urgent as we move closer to full employment and full-capacity operation. Relative price stability can be continued if all of us—labor, business, and government—work at it. If the over-all level of prices is not to rise, price increases on some products and services must be matched by price decreases in others. Such increases and decreases are a necessary and desirable part of a free market economy.

But what is unnecessary and undesirable is a general rise in prices. Current prices cannot be looked upon as a floor—let alone as a springboard for higher prices in the future. *(continued on page 60)*

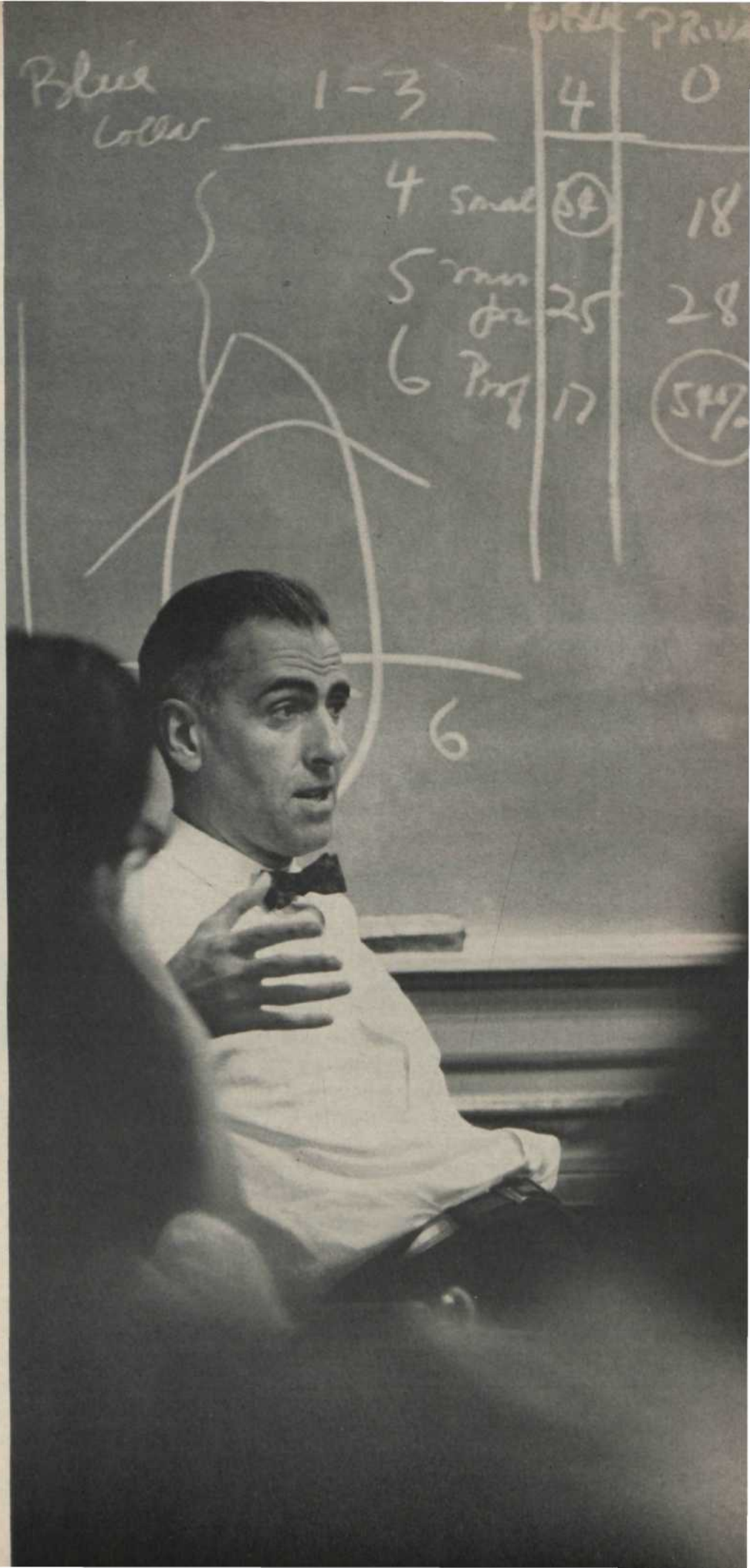


PHOTOS: GEORGE TAMES



Dr. David C. McClelland, head of Harvard University's Center for Research in Personality, is now developing an executive training course to increase businessmen's desire for achievement. Business executives in both large and small companies have taken the course. It has been given to managers of businesses in Mexico and India as well as to American executives. A follow-up study will measure specific changes in businessmen's drive for achievement.

IVAN MASSAR—BLACK STAR





# WHY MEN & NATIONS SEEK SUCCESS

Authority on achievement drive reveals research findings

WHAT ARE EXECUTIVES like who have the drive to achieve? What makes them that way? Can a businessman build in himself a stronger need for accomplishment? Can he generate this spirit in his company?

These questions are answered in this interview by DR. DAVID C. MCCLELLAND, a foremost authority on the achievement motive. Dr. McClelland is chairman of the Department of Social Relations at Harvard University and head of the school's Center for Research in Personality. An American Psychological Association fellow and an American Academy of Sciences fellow, Dr. McClelland is the author of several books and scores of articles based on his research in the field of psychology and achievement.

He warns that the desire for achievement is declining in the United States and is on the rise in Russia. We must rejuvenate this drive to achieve in our society, he declares, and the businessman is a natural example and champion for this cause.

**Dr. McClelland, does the businessman strive for profit or is this just a measure of his drive for achievement?**

In the terms of the ideal entrepreneur—the one who really builds a business successfully—I think profit is primarily the measure of achievement rather than the goal itself. I don't mean he doesn't like money. Everybody likes money. It's just that it's the sense of accomplishment that really means something to him.

The classic case is that of Andrew Carnegie, who said he was going to quit when he made a million dollars. When he made a million he found that if he quit, there wasn't any fun left in life. He enjoyed the sense of challenge and risk and overcoming obstacles and getting somewhere. It wasn't just money.

**What are the major traits of men with the drive to achieve?**

Well, they like to take moderate risks, where they have the chance of succeeding. If it's too risky they don't succeed very often. So they pick a point where they get enough sense of accomplishment from having succeeded at a reasonably difficult task.

Another thing that characterizes them is they are very much interested in knowing how well they are doing. They like to work at a task that gives them a feedback on how well they are doing—profit margins, reduction in costs, the size of the market covered and so on.

Another characteristic they have is a desire to do things themselves. If somebody else does it they don't get this sense of achievement.

Finally, they are rather mobile people who look for challenges and new ideas. I have often been impressed, in talking to a group of businessmen, by their sense of physical energy. You can feel it in the room.

Our evidence shows that there is a tendency for mesomorphic boys—that is, well-developed little boys—to develop higher needs for achieve-

ment, possibly because they get more rewards in the difficult things they try to do physically.

**Don't professional people seem to have this achievement trait as much as business people?**

Some do. But their job doesn't require it to quite the same degree as an entrepreneurial job does. I can give you examples:

Among professional people we find that the ones who are high in the need for achievement really behave in different ways, not necessarily more successful ways as the profession is defined.

In one of my studies I was following up what had become of college students 14 or 15 years after I had tested them. I found a guy who was an English teacher but who had a very high need for achievement. When I checked, I discovered that he had founded his own theater company in Austin. He was in business giving plays all over Texas.

You have to organize a company, get financial backing, pay people, go from town to town and be sure you've got an audience. It's an entrepreneurial job par excellence, and yet he's a professional man.

You see, you have two types of English teachers. I think this would be true of law or medicine, too.

In business, people who play it too safe are likely to end up without a job. That's not so true in the professions.

You get a professorship at a university and you've got it for life.

*(continued on page 72)*





BERRETTY—BLACK STAR

Solomon Barkin took job with international organization in Paris after criticizing union leaders for not coping with growth problems



GEORGE TAMES

Jules Pagano, once education director for Communications Workers, is getting more satisfaction out of working for government

# EGGHEADS ARE

Trend reflects new image of labor groups and may be omen for future

LABOR UNIONS are losing the support of many professionals and liberal intellectuals who have played an important role in their growth and development.

Some, particularly economists and educators, are leaving unions for jobs in government and academic fields which give them greater satisfaction or more pay.

Many who stay in the labor movement are examining their status more critically if not actually grumbling.

Other intellectuals who never became a part of organized labor but lent support through their writings, participation in union programs, and other activities seem to be losing interest in labor's problems. Some are becoming critical.

College student interest in labor and industrial relations is diminishing.

The trend may augur a new era of less radicalism

and more stability within organized labor and in its relations with business, government, and the public.

"Those who are leaving unions are the missionary types, people committed to an ideology," says Harold L. Wilensky, a professor and student of intellectualism in unions. "They are being replaced by people with less imagination and less experience. This makes for less efficient representation of labor's objectives."

The trend may also presage diminishing union influence in national affairs except as an ally to a friendly government administration.

"The labor movement should be the militant left, but isn't," complains one intellectual who resigned to take a government post. "It lacks enthusiasm, the vigor to push as hard as it should for its objectives. Its ability to influence the national economy would be greater if it had more vigor."

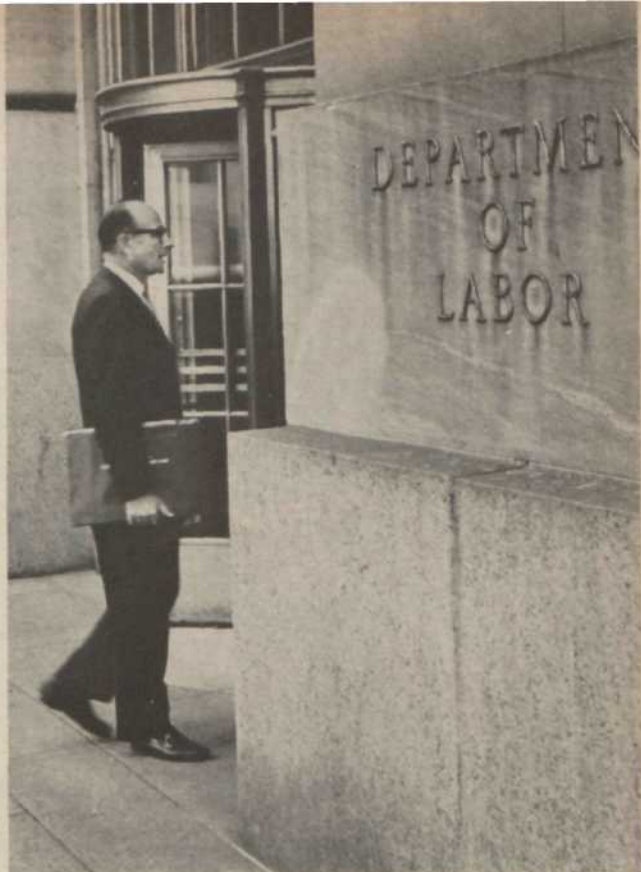
"They should be bringing pressure on the Kennedy





SCHMIDT-PIX

Jack Barbash, teaching at Wisconsin, says professionals lose a sense of mission when big unions function as a business enterprise



GEORGE TAMES

Stanley Ruttenberg, top union economist for 20 years, has joined the New Frontier as chief adviser to Labor Secretary Wirtz

# LEAVING UNIONS

Administration to force it farther left, but instead they are fearful. They modify their stand or pull their punches—and sort of go along with what the Administration wants.”

He cites specifically the lack of a real union drive for tax, unemployment compensation and compulsory health insurance proposals.

A similar observation comes from Prof. Richard A. Lester of Princeton University, specialist in labor relations.

“There is a feeling among leaders in the old CIO unions that George Meany, AFL-CIO president, is being taken in by the Administration,” says Professor Lester. “When the President phones him to get his support on some issues, he caves in or qualifies labor’s position.”

The predicament labor leaders find themselves in when they help elect a national administration is pointed out by Russell Allen, education director of the labor federation’s Industrial Union Department.

“With the advent of the Kennedy Administration, labor’s role as political critic has been sharply restricted,” he says. “Criticism can be neither too harsh nor too fundamental.

“To some extent this development is a measure of success in becoming part of the power structure (and therefore of having a broader responsibility than merely pushing institutional interests). But it can also slide over into opportunism, expediency, and apologetics.”

Professionals are leaving labor’s ranks for reasons which also reflect the labor movement’s predicament internally and in relation to such outside factors as the changing economy, shifts in the labor force, and world problems.

Stanley H. Ruttenberg resigned as the federation’s research director to become special assistant to Secretary of Labor W. Willard Wirtz because, he says, Mr. Wirtz wanted his help in developing economic policies which would promote full employment.

Mr. Ruttenberg, research director of the CIO at the time of the 1955 merger with AFL, told NATION’S BUSINESS he has changed jobs roughly every seven years, and it was time again to change. A contributing factor, no doubt, was his unhappiness over a feeling that the labor federation was not pushing hard enough to get acceptance of its tax and other economic policies (continued on page 42)



# OUTLOOK FOR PRICES IN '64

Probability of higher levels will increase  
as sales rise and federal deficits continue

PRICES may soon begin to move up a little faster.

Farsighted economists and price specialists are pondering signs that usually foreshadow new upward movements.

Against these indications economists are attempting to size up those that spell price stability or even price decline in some industries.

To analyze the future and determine how your company may be affected, consider five questions:

1. What is the current price situation?
2. Where do the trends point for the next six to 12 months?
3. When might the change begin?
4. Why are these trends indicated?
5. How will business in general be affected?

## **Pressures building up**

Over-all price indexes have stood still, or nearly still, for some time.

But the time of change appears to be nearing.

One economist explains: "Pressures underneath are boiling. We could be at about the point where some of these pressures are likely to start winning out."

In the wholesale price index you see a long column of figures, starting with about 1958, that range less than a full percentage point from high to low. On the index for farm products, however, the low is some eight percentage points below the top. This decline offsets other upward changes.

The consumer price index shows a similar trend. The difference is that it has inched a little higher.

Soon, perhaps before winter, there may be confirming evidence that prices are starting to climb.

A doubling of the rate of increase during the coming year is a distinct possibility.

The likelihood is that, as slightly higher prices are tested out in the market during the fall and winter, many will stick at the higher level.

It's useful to watch short-term changes for clues to what might happen next.

In the past 12 months, for example, the index for consumer durable goods prices went down about half a percentage point. The nondurable goods index inched up about one point. The index for services in the same period went up two points.

Such changes, though small on charts, reflect billions of dollars of consumer spending.

This means that:

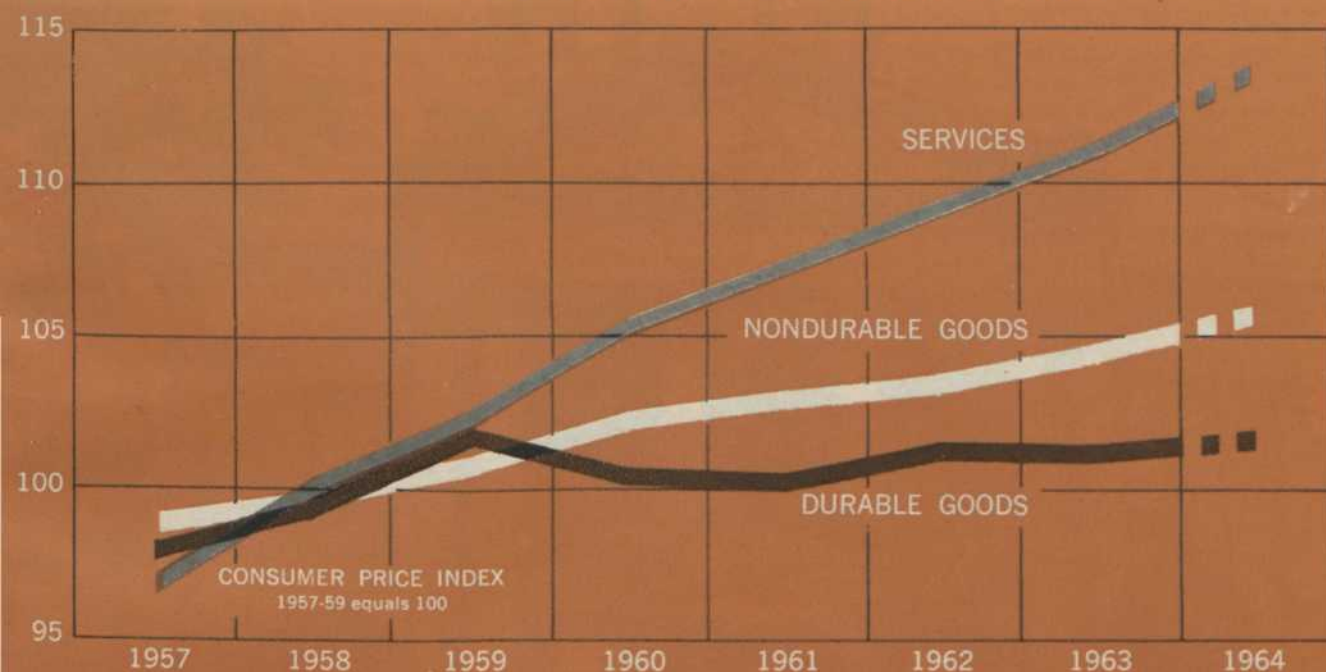
- ▶ The durable goods industries, doing a \$50 billion annual volume, have been experiencing a little deflation.
- ▶ The nondurable goods companies, with \$165 billion volume, have had about one per cent inflation.
- ▶ The service industries, with \$155 billion annual business, are chalking up about two per cent inflation.

Some allowances for quality change are made in the indexes, but many are not. The failure to reflect accurate changes in quality is a basic shortcoming. This is a form of inflation or deflation not measurable by statistics.

Quality changes notwithstanding, over-all consumer prices can be expected to start moving up faster in the months ahead. The price of services probably will contribute most to the increase. A rise is ex-



## TRENDS TO WATCH NEXT YEAR



pected for nondurable goods. Changes for durable goods may balance between zero and half a point increase.

A year from now the increase in the consumer price index is likely to be about two per cent, or twice that of the past year. The wholesale average, which does not include services, may go up one per cent.

### Why changes will come

The wage settlements of 1963 and the prospective rise in worker productivity are hopeful signs. The wage-cost push on prices is less a factor than in previous years.

Government spending is another story. The deficit for fiscal 1963 is good only in the context that it was not as large as was expected.

On-the-cuff government spending for the four years ending next June 30 will total more than \$25 billion.

The continuation of large, programed deficit spending in the years to come is causing some alarm among those who study prices. The deficit next year will almost surely be larger than for the past year, and thus be an inflationary force, as it has in previous years.

An assortment of other pressures will bear on prices as well. Food prices, for example, are expected to rise. Sugar may go higher because of the situation in Cuba. Bad weather of last winter and spring killed a good deal of fruit, so the prices of orange juice, peaches, apples, and so on will be higher throughout the season ahead.

### What change will mean

In the months ahead many prices may stick on the

high side of a seasonal price swing. Cyclical factors also figure importantly. The cycles in hog and cattle numbers, for example, currently indicate the likelihood that some bargains will be available at the meat counter.

Higher clothing prices are expected to stick. So are some industrial price increases.

Rising business expectations will contribute to price firmness rather than price weakness. Fuller use of industrial capacity is expected for most industries.

A government price specialist, looking far ahead, sees both the prospect of sound business improvement and stable or slightly rising prices well into the future.

The Federal Reserve Board, he points out, will be walking a razor's edge.

Too much tightening of money policy could choke off business expansion. That isn't likely to happen, however.

Demand for most services will continue to be strong.

For business as a whole, the kind of economic conditions and price trends that appear most probable for the year ahead will add up on the good side of the ledger.

One economist calls it a kind of noninflationary price rise—"a situation," he says, "where inflation can be measured in ounces rather than pounds—or tons, as in the case of some Latin American countries."

Though price increases are expected, the United States will continue to have one of the most stable economies in the world. And a tax cut, he says, will give us just the right nudge to ensure stability. **END**





MCALLISTER-BLACK STAR

# WHY LOCAL GOVERNMENT SERVES BEST

A Nations Business interview with Gov. John A. Love of Colorado



IN THE U. S. we have a partnership arrangement between the national government and the states. The Constitution so prescribed.

But an imbalance of power, with Washington assuming more authority, has split current political thinking on the future role of government at the local level.

One popular cliché is that states are not meeting public needs. Defenders of the advantages of divided government reply that states are meeting public needs with new efficiency and imagination.

NATION'S BUSINESS interviewed one of the new state governors who is an articulate spokesman for the viewpoint that the state has an ascending role in our system. He is Gov. John A. Love of Colorado, who took office in January and cut state income taxes by 15 per cent. Governor Love is a lawyer, a decorated former Naval flyer and a Republican. He has been a member of several corporate boards.

Governor Love has appointed a special commission which is now surveying the needs and financial problems of local government in his state.

He is not alone in his concern over the future of government on the local level.

In Ohio, for example, Gov. James A. Rhodes has assigned a Little Hoover Commission made up of business executives to examine the whole state government with an eye to organizing functions in the most economical fashion.

Texas Governor John B. Connally sees states as having the capability in the next decade to meet what he calls the dominant challenge of the space age—excellence in education.

Governor Connally has named a special committee to study education at all levels.

"Because states have had such tremendous experience and because different states have different needs

depending on their environment, they are the best level of government to meet this function," he insists.

Georgia's Governor Carl E. Sanders believes state government will gain in importance.

"In Georgia there are so many levels of local government," he explains, "that it would be impractical for each to deal directly with the federal government." But the state government can coordinate and dovetail its functions with its local governments. To meet some of tomorrow's growing problems, for example, Governor Sanders has established a new Department of Youth to deal with juvenile delinquency prevention and rehabilitation. He is setting up new vocational trade schools and providing state grants to local units for urban expenses.

A closer look at what state and local governments can do, and why, is presented in the following interview with Colorado's chief executive:

**Governor, will state government play a declining or ascending role in the future?**

I think state government should have an increasingly important role. The charge is well founded that, at least over the past two decades, the states have, to a certain extent, failed to live up to their obligations and responsibilities. There has been a trend toward the central government taking over. Many things that are happening show a clear and present danger to our federal form of government.

I don't think the trend should be allowed to continue. When government becomes removed from the people it becomes subject to the danger of becoming more arbitrary and less responsive.

In general, local government is the best. Obviously not all problems of government can be handled on a local basis. But certainly (continued on page 98)

Governor Love discusses local problems with citizens at special forums around the state





# A LOOK AHEAD by the staff of the

## Urban renewal switch seen

(Construction)

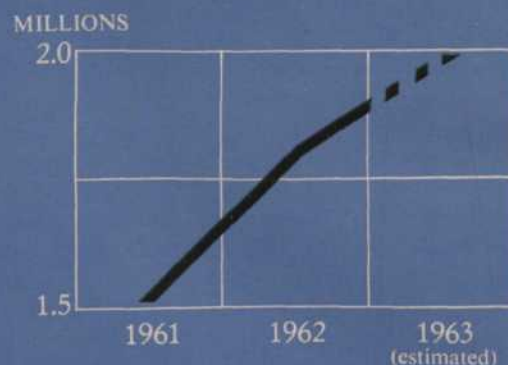
## Union power curbs sought

(Labor)

## Travel boom may triple

(Marketing)

### More Americans going overseas



### AGRICULTURE

Total net farm income for this year may fall below last year's revised estimate of \$13.3 billion.

A slight increase in cash receipts from marketings and government payments has been more than offset by the two per cent increase in production expenses.

Unit cost rates continue to increase for most expense items. Lower prices for feeder livestock, building supplies, and fertilizer are the exceptions, according to the U. S. Department of Agriculture.

Crop marketings have continued at a high level, with prices running a little higher than last year. Continued favorable weather and moisture conditions could mean another record crop, despite acreage diversion.

Heavier than usual marketings of beef and hogs brought a four per cent drop in most animal prices earlier this year. As marketings decline seasonally, prices may improve but remain below last year.

The Department expects government payments to exceed last year's \$1.7 billion. Considering the expected decline in the number of farms, the average net income per farm will probably show little change from 1962.

### CONSTRUCTION

Look for local urban renewal agencies to shift more and more toward established market practices

in their efforts to get rid of the glut of cleared renewal land now standing idle. The build-up of land in the hands of local agencies is reported to have reached 11,334 acres by the close of last year—with 1962 transactions resulting in acquisitions of 3,017 acres and in sales of only 1,193 acres. The evidence suggests that, in general, there may not have been enough precision in estimating the economic feasibility of renewal plans and less-than-the-best use of standard land market channels and expert market knowledge.

Current reports indicate that those local renewal agencies utilizing the services of real estate brokers and those indicating land price and inviting bids to be judged on a design basis are meeting with greater success in getting cleared land into actual redevelopment.

### CREDIT & FINANCE

Efforts to align the Federal Reserve Board more closely with the Administration are expected to become evident in specific legislation. One proposal under discussion would place the Comptroller of the Currency back on the Federal Reserve Board—a seat that was vacated as the result of the Banking Act of 1935.

Such a move would satisfy complaints of some few members of Congress that the Fed is too independent. However, passage of this type of legislation is highly improb-

able, at least during this Congress.

In another area—but still involving the Federal Reserve Board and the Comptroller of the Currency—legislation is pending which would make membership in the Fed voluntary for national banks. The Comptroller's office favors this legislation, but it's expected to be opposed by both the Federal Deposit Insurance Corporation and the Federal Reserve Board.

### FOREIGN TRADE

One of the main points at issue between the Common Market and the United States is that of the increased duties in the Common Market on U. S. poultry exports.

These tariffs have been increased by more than 200 per cent during the past year, with the result that American poultry sales in Europe have been reduced to \$48 million a year from \$112 million a year.

The American position is that current tariff levels threaten to eliminate completely sales of U. S. poultry to the Common Market.

A reduction of the Common Market tariffs on U. S. poultry is being sought by American negotiators. Unless this can be achieved, the U. S. threatens retaliation by a corresponding increase in tariffs on certain U. S. imports from the Common Market.

### GOVERNMENT SPENDING

The stalemate between conferees



# Chamber of Commerce of the United States

of the House and Senate over the financing of the Export-Import Bank had some American exporters concerned. Their concern was based on the belief that the Export-Import Bank was about to close its doors until the legislative battle could be resolved.

The Senate insisted on granting backdoor spending authority to the Bank. The House conferees, however, were equally insistent that the Bank get its funds through regular appropriations. The bill to extend the life of the Export-Import Bank and grant it \$2 billion of additional spending authority touched off a controversy that strikes close to many businessmen's interests. If, in fact, the Bank's operations were to be curtailed, it would be a most serious matter for U.S. exporters.

However, authoritative opinion is that the Bank has power to continue its operations and, in fact, has a considerable surplus.

## LABOR

The railroad labor crisis has awakened Congress to seek new ways to cope with union monopoly power. Congress seems to recognize that the public is now of the opinion that the power held by a few labor leaders must be curbed.

The solution to this problem is not easy.

Several congressmen, in order to explore this important issue, have proposed the creation of a Joint House and Senate Committee to study and report on problems relating to industry-wide collective bargaining and industry-wide strikes and lockouts.

Leading spokesmen for this approach are Reps. Thomas B. Curtis of Missouri, Paul Findley of Illinois, and Robert P. Griffin of Michigan. The Committee would have power to recommend legislation after studying the complex issues.

## MARKETING

Today's burgeoning vacation and tourist business is helping to keep retail and service trade activity at lofty levels.

Tourism has not only bloomed into big business; it is one of the most vigorous growth industries.

Greater movement of people has spurred a global hotel-building boom.

The higher income a family receives the more it spends on vacation travel.

Because tourism has exploded beyond national boundaries, the travel industry looks to an even brighter decade ahead.

Estimates for this period call for a doubling or tripling of world travel.

The basis for these buoyant expectations: rising incomes, more leisure time and improved worldwide travel facilities.

## NATURAL RESOURCES

Congress has been asked by the Interior Department to enact legislation to consolidate existing laws on rights-of-way across federal lands and to grant administrative discretion not now permitted.

This legislation would pertain to the storage, transportation and distribution of water, petroleum, or other liquids and gases; construction and operation of roads, highways, railroads; generation and distribution of electric power and energy; transmission of radio, television, telephone, telegraph and other electronic signals; and facilities involved with air navigation.

It would authorize the government to issue regulations which, among other things, would permit the Secretary having jurisdiction to require any terms or conditions which he might consider to be in the public interest in return for permits to cross federal lands.

The Interior and Agriculture Departments have already issued regulations which allow granting of power transmission rights-of-way only if the grantee agrees to conform to power marketing requirements of the federal government.

## TAXATION

The President's proposal to tax domestic purchases of foreign securities has not sparked quick action.

An outgrowth of the balance of payments problem, the interest equalization tax is designed to slow the flow of long-term investment capital to foreign countries.

Theoretically, it would cost foreign financiers about one per cent more to borrow from American money markets if the tax were enacted.

Although there may be other drawbacks to the proposal, students of international finance are apprehensive about the power that would reside in the executive branch of government if the proposal were adopted.

This particular objection was spotlighted shortly after the plan was introduced.

Originally, all "developed countries" were to be included. After second thoughts, Canada was assured of partial exemption from the proposed tax. It was also proposed that the President be authorized to allow exemptions.

Disregarding the proposal's merits, it is doubtful that Congress will grant such sweeping powers to the chief executive.

## TRANSPORTATION

There are more than 10 major railroad merger and control cases pending before the Interstate Commerce Commission.

Continuation of railroad merger development, however, is being challenged by labor unions and some congressmen. Unions are attempting to prevent consolidation due to the fear of job losses. Legislation presently before Congress would suspend ICC approval of rail mergers until 1965.

Several government agencies are on record in opposition to a rail merger moratorium, including the ICC and the Departments of Commerce and Justice. The Association of American Railroads and the National Industrial Traffic League also are opposed.

With so much opposition it seems doubtful that Congress would enact such legislation.

A moratorium could delay needed relief for some railroads and discourage others from proceeding with studies aimed at self-help.



## LEAVING UNIONS

*continued from page 35*

from Congress and the Administration.

There is a feeling among many intellectuals that the labor movement is stagnant, not going anywhere; that it lacks new ideas, new direction, new plans for unionizing the white-collar workers and white-collar industries where employment is growing and gains in union membership must be made if unions are to grow.

"It doesn't look like a great future for unions or intellectuals in them," says Professor Lester, who wrote a book, "As Unions Mature," a few years ago. "Unions haven't progressed much further than the New Deal. They aren't going anywhere, have few new ideas. Even Reuther is under a cloud, making the same speeches over and over again."

A professional who has not left, Everett M. Kassalow, research director for the Industrial Union Department, tries to explain the feelings which cause others to leave unions.

"Society has changed," he says. "The labor movement's effectiveness is limited. Challenges are more complex and unions are not responding to them partly because the problems are not union-response prob-

lems, but involve problems of political and social action. There is no easy answer.

"The intellectuals feel that President Kennedy is not trying hard enough on aid-to-education, for instance, because of pressures—the same pressures that are on the union leaders.

"They feel that union leaders are not doing enough and the Administration is not moving fast enough on such matters as taxes, public works programs, unemployment. It is not easy to correct the situation.

"Frustration arises among the intellectuals over specific problems like these, not over any general complaint that the labor movement has lost its zip."

### **Professional's role difficult**

Mr. Kassalow says the professionals also feel they are underpaid and a government job now offers a plausible answer to the problems of low pay and frustrations because they can readily identify with the New Frontier.

One egghead who disagrees with those who say the labor movement has lost its appeal to intellectuals and has returned to the unions is Jack T. Conway.

Mr. Conway had left the United Automobile Workers, where he was assistant and chief adviser to President Walter P. Reuther, to join the

New Frontier in 1961 as deputy director of the Housing and Home Finance Agency.

He has rejoined Mr. Reuther as his executive assistant in the AFL-CIO Industrial Union Department, which Mr. Reuther also heads. Some say Mr. Conway left the government when efforts to make the housing agency a separate department stalled.

"I have been disturbed by the current fashion in some liberal and intellectual circles to decry the labor movement," says Mr. Conway, a graduate of the University of Chicago, where he was associated with the Chicago Roundtable radio discussion program, and former sociology instructor at the University of Washington.

"I am not haunted by an uneasiness over what has been called the end of ideology. Nor do I feel that the labor movement has entered into a decline, become universally infected by a pervasive cynicism or corruption, is barren of leadership, or that in some glorious past there was really an inspiring labor tradition which somehow has been ground to dust through the operation of the iron law of bureaucracy."

Mr. Reuther being an egghead himself, those working for him and his UAW seem to feel differently about working for a union. The auto union is considered a haven for intellectuals and has attracted, besides Mr. Conway, Guy Nunn, former Rhodes Scholar, who directs the union's radio and television activities. Several of Mr. Reuther's top aides have come from government.

The role of the economist, the publicist and the educator in labor unions is sometimes difficult because the union official he serves may not accept him as a true professional, as he would a lawyer, doctor or accountant. He is often expected to support the political or strategic position of the union leadership, regardless of the professional requirements.

"Once a bargaining program has been laid down, the staff is expected to support it wholeheartedly even to the extent of whipping recalcitrant locals into line," says Mr. Allen. "The 'one-party' political structure of unions has been widely noted. Members of the professional staff are expected to support that party, its programs, and its officers. And when opposition does arise, they are expected to do what they can to head it off.

"This role brings a conflict with  
(continued on page 46)

## Watch for:

### How you can cut your costs

Economies in production are growing harder to find, but there are many money-saving opportunities in the white-collar area that may be overlooked. You will find these examples and suggestions useful.

### Americans get more for their money

Fewer hours of work are needed to buy goods here than anywhere else in the world. This reflects a steady increase in the U. S. worker's purchasing power. Comparisons and trends are illustrated.

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## Nation's Business





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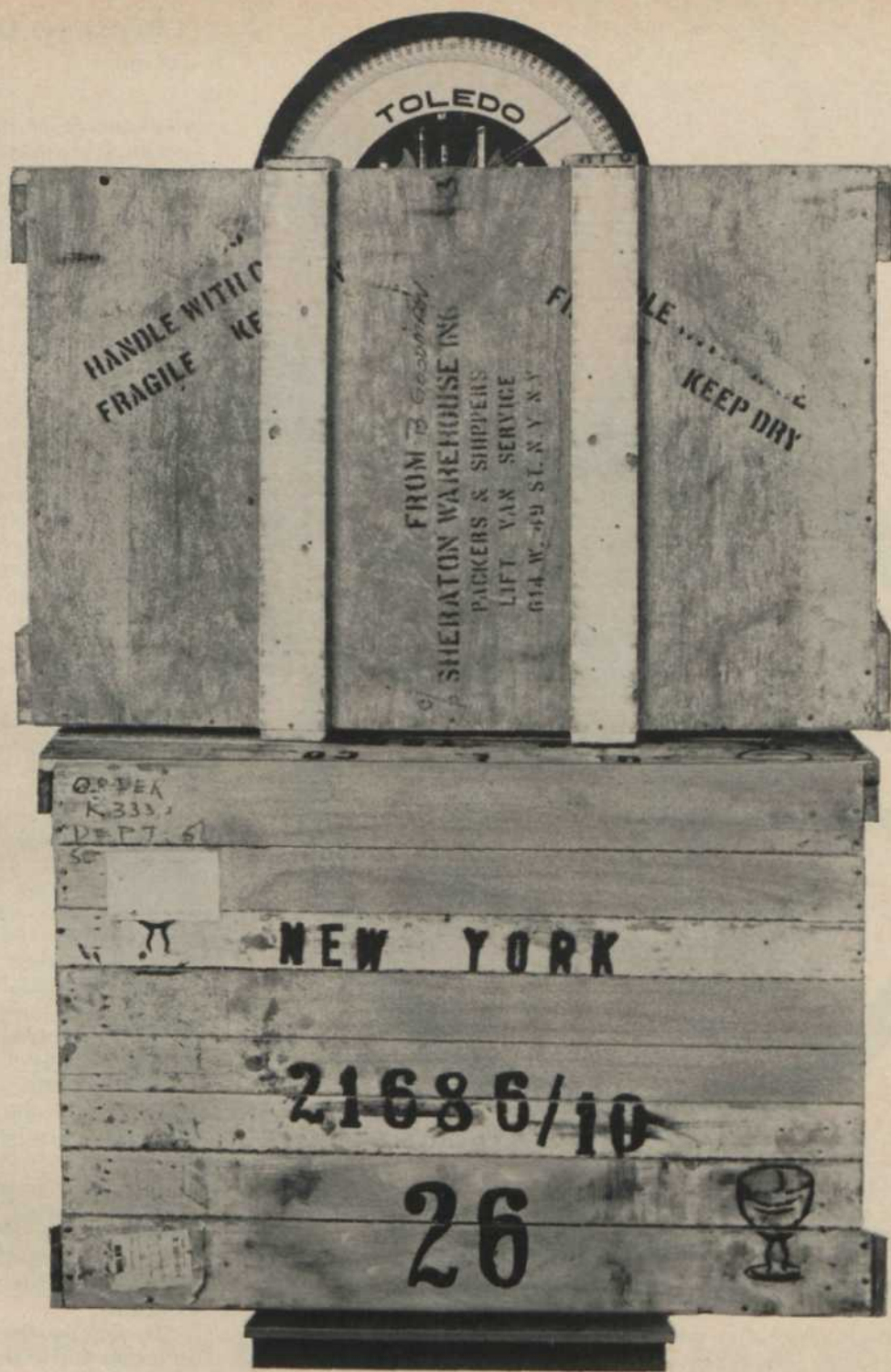






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## LEAVING UNIONS

*continued*

the concept of the right of an opposition to function and the desirability of alternative programs and even candidates as a source not of weakness but of strength in a democratic society and institution."

Professor Lester says that in general intellectuals are leaving the labor movement because of disillusionment. But some leave because of a difficult relationship with the union leaders they serve or problems peculiar to their industry.

George W. Brooks, former research director of the 170,000-member Pulp, Sulphite and Paper Mill Workers, who developed a national reputation as a frank speaker and critic of the labor movement, may have grown to such a stature within the union as to be viewed by the leadership as a political rival, Professor Lester surmised.

At an AFL-CIO conference to drum up support for a shorter workweek, for instance, Mr. Brooks said that, aside from the workers' desire for paid holidays and vacations, there was no evidence that they wanted to work shorter daily or weekly hours.

The evidence was just the opposite, he said; workers complained that they were deprived of a chance to work overtime.

Last fall, after having become a professor at Cornell's School of Industrial and Labor Relations, Mr. Brooks further alienated union leadership with a discussion of the ethical responsibilities of labor at a Stanford University business conference.

Among his accusations:

"Union leaders frequently do not even bother to deny that they intentionally substitute their own judgment for the opinions of their members."

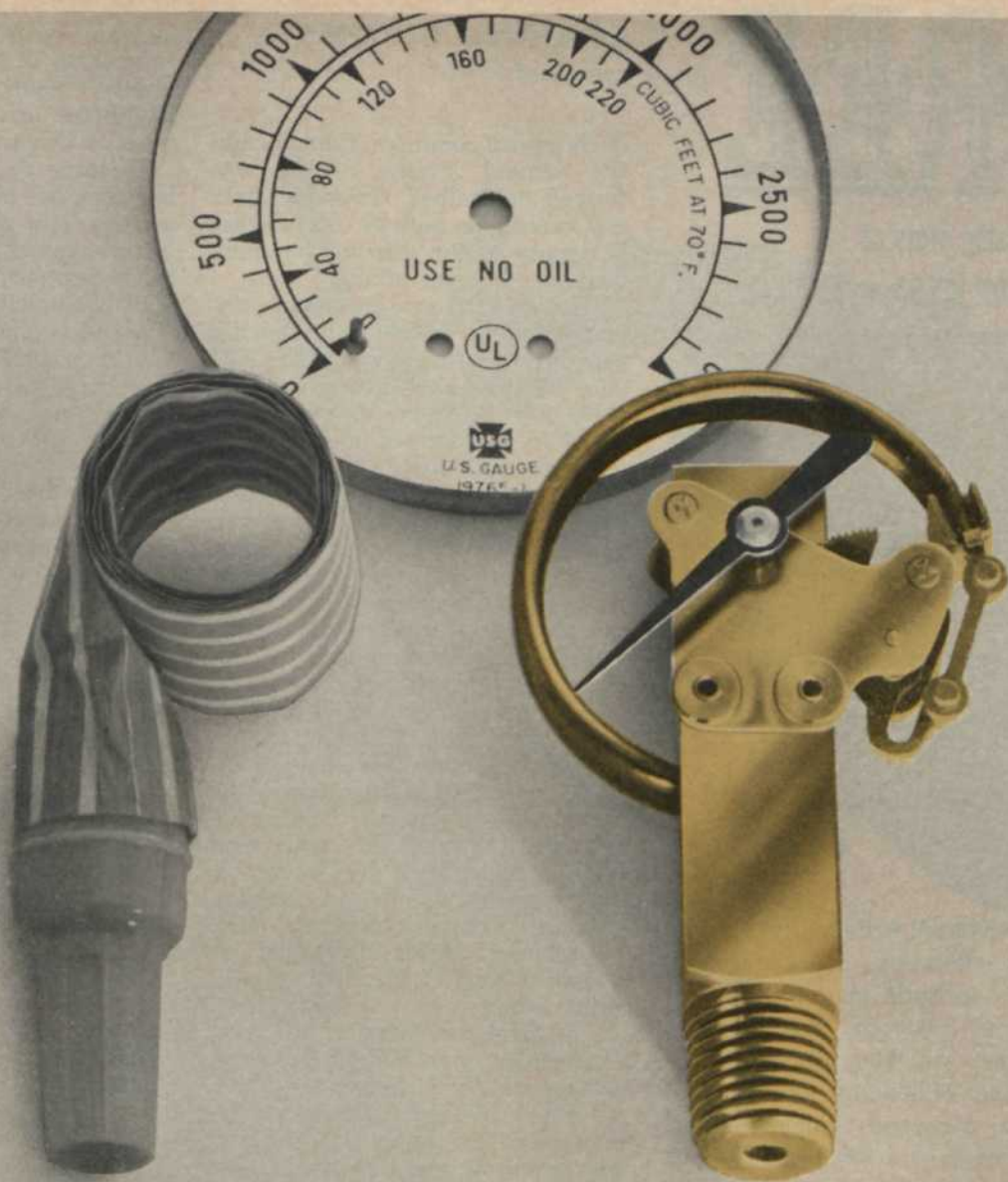
"It violates the ethics of representation for a trade union leader deliberately to subordinate the interests of his members to some other interest, no matter how noble in purpose."

### **Union's image worsens**

Solomon Barkin, long-time research director of the 192,000-member Textile Workers Union and a frequent spokesman for organized labor on economic matters until he became critical in recent years, has joined the staff of the Organization for Economic Cooperation and Development in Paris.

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## LEAVING UNIONS

*continued*

of European countries, Canada, and the United States, which was formed to gather economic data and coordinate policies. Mr. Barkin is deputy to the director for manpower and social affairs.

He didn't enhance his status within his union or union leadership generally by his report, "The Decline of the Labor Movement and What Can Be Done About It," prepared for the Center for the Study of Democratic Institutions, a Fund for the Republic organization.

In analyzing labor's problems, Mr. Barkin placed part of the blame on the "sullied image of unions" created by scandals involving some union leaders which has disillusioned and alienated political liberals and other friendly groups.

He also warned that the power center must shift from the big international unions to the central labor body, thus taking some of the power away from the leaders of individual unions. This same view has been expressed by Joseph A. Beirne, president of the Communications Workers of America. (See "Employers Take Initiative as Unions Change," NATION'S BUSINESS, June.)

The labor movement is no longer a movement, says William Gomberg, professor at the University of Pennsylvania's Wharton School of Finance and an industrial engineer who spent 22 years on the staff of the Garment Workers' union.

"It is a somewhat specialized American institution with all our normal vices and virtues," he says. "Many young people joined in the 1930's to inaugurate a great cooperative commonwealth—a Utopia of workers controlling industry, employment and their own destiny."

"Now many of them who visualized themselves as holders of ministerial portfolios in tomorrow's economic world, instead find themselves the keeper of the policeman's dossier."

### Mission can't last

Jack Barbash, who was research and education director of the Industrial Union Department before going to the University of Wisconsin to teach and write prolifically on labor union leadership, believes that a large union with money and power cannot function eternally as a mission.

"It must also function like a business enterprise," he says. "And in a

business enterprise employees need some form of protection—it doesn't matter whether the managers of the enterprise are corporation executives or trade union presidents."

He says the evangelical quality has gone out of unions, necessarily, as they have grown and had to develop organizational discipline, but the union leaders don't realize it and that is why they are surprised when their employees join unions.

"If you have pride in your craft," explains Mr. Barbash, "you are willing to break your back when the union is like a church and you are working to spread the gospel."

"But when the union becomes a business enterprise, all the things that you overlooked before begin to bother you."

Adds Mr. Wilensky: "There was a time when the intellectual would work for peanuts, but unions can command fewer of those men now. Without ideological enthusiasm to keep them working 70 hours a week, they need something else—good pay or good personnel practices—and they're not getting either from unions."

Paul Jacobs, a writer and critic of organized labor since leaving organizing posts with the Garment and Oil Workers unions, says the attraction unions once held for intellectuals is gone because unions have lost their social mission.

"In their relations with the staff," he adds, "they're the same as business."

Mr. Jacobs says he left organized labor when he got caught in internal political battles of the Oil Workers and was fired. He previously left the Garment Workers to enter World War II.

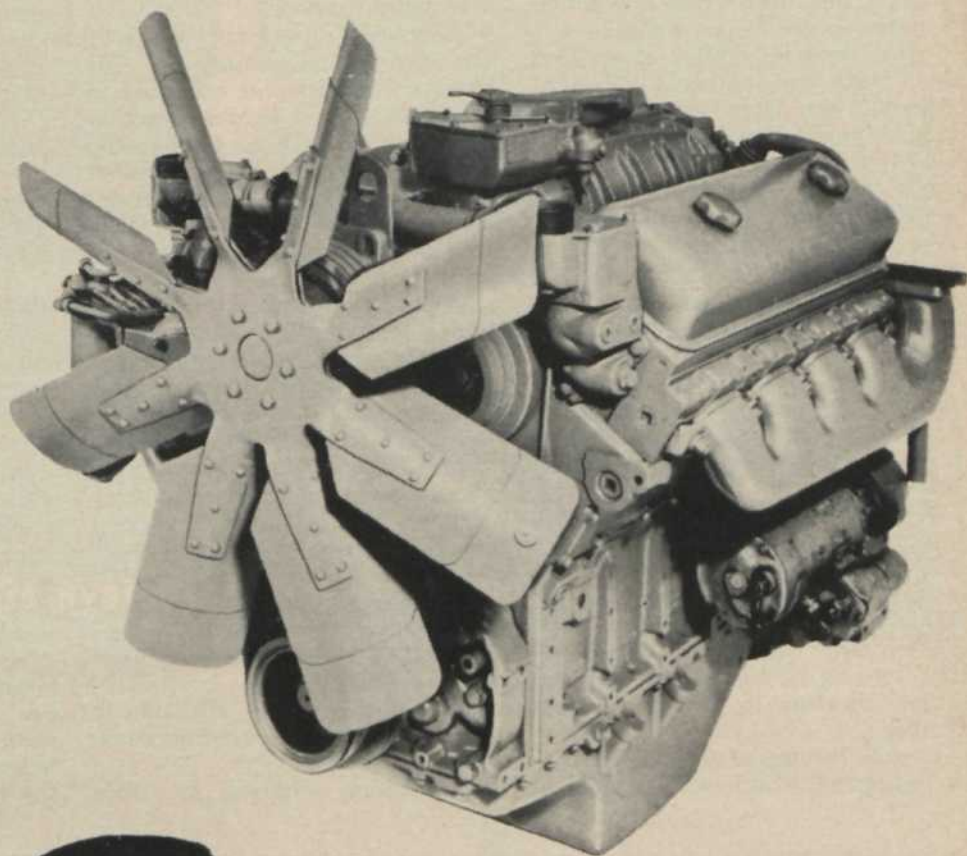
An admitted Socialist and product of the radical movement, in which he was a Trotskyite, Mr. Jacobs is staff director of trade union studies at the Center for the Study of Democratic Institutions and on the staff of the Institute of Industrial Relations at the University of California.

Although he did not go beyond high school, he is a prolific writer of articles, mostly controversial, for learned journals.

In a report published by the Center last June—"Old Before Its Time"—Mr. Jacobs described the present system of collective bargaining as outmoded and lacking the capacity to deal with new economic conditions.

He also suggested that the AFL-CIO dissolve and the unions regroup themselves along natural lines to better equip them to organize the white-collar industries which are





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## LEAVING UNIONS

*continued*

growing and from which new union members must be attracted.

A somewhat similar suggestion was made by another intellectual who left the labor movement. He said unions today seem to be in a situation similar to 1935 when the mass production industries were waiting to be unionized and the AFL was reluctant to break out of the craft-union shell.

"John L. Lewis had the desire, imagination and money to forge ahead, anyhow, and to do the job that gave unions their greatest growth," he said. "We need another John L. Lewis today to lead a union break-through among white-collar workers. He's not in sight."

Analysis of the flight of the egg-heads is going on inside and outside of the labor movement.

The Industrial Relations Research Association is planning a panel discussion on "Labor and Liberals: The Parting of the Ways?" at its annual meeting in Boston in December.

George Strauss of the University of California, who is setting up the

panel, says the discussion will cover the withdrawal of professors who gave unions outside support, as well as the departure of professionals from within unions.

"The labor movement has lost its sex appeal," according to Mr. Strauss. "Intellectuals who grew up in the 1930's and became emotionally identified with the union movement have become less interested."

"Their equivalent today couldn't be less interested in unions. They seem more interested in racial and international problems."

Albert Rees, head of the economics department at the University of Chicago, says the labor movement is not capturing the imagination of young students anymore because they don't feel it is the underdog.

Jules Pagano left his post as education director of the Communications Workers last year to become director of professional and technical affairs for the Peace Corps.

"The Peace Corps offered me a rare opportunity to broaden my experience to meet new challenges, and to engage in an intellectual exercise not generally available in unions," he says. "I wasn't unhappy or disillusioned."

Diminishing interest in labor

unions by young people is reflected in what is happening in the colleges.

Enrollment in labor relations courses has not kept pace with increased college enrollment and the courses are not attracting the better students.

E. Wight Bakke of Yale University says many students have been drawn away by courses in human relations, management, labor market conditions, sociology, psychology and the like.

At the University of Illinois Institute of Labor and Industrial Relations, Director Martin Wagner says enrollment has dropped, but the university is offering more courses in the industrial relations field and more students are taking them.

Enrollment in the Institute is 35 students, whereas in the past it had been as high as 45. A few years ago, it had been projected that enrollment for the school year 1961-62 would reach 50 or 55.

A survey of leading industrial relations schools reveals that the number of graduate degrees granted from 1956-60 dropped 50 per cent below the number granted during the previous five years. **END**

## Who left unions—and where they went

**Stanley H. Ruttenberg**, from research director, AFL-CIO, to special assistant for economic affairs to Secretary of Labor W. Willard Wirtz.

**Solomon Barkin**, from research director, Textile Workers Union, to deputy to director for manpower and social affairs, Organization for Economic Cooperation and Development, Paris.

**Jules Pagano**, from education director, Communications Workers, to director of professional and technical affairs, Peace Corps.

**Ralph H. Bergmann**, from research director, United Rubber Workers, to staff member, International Labor Organization, Geneva.

**Joseph Glazer**, from education director, United Rubber Workers, to assistant information director, U.S. Information Agency, Mexico City.

**Hyman H. Bookbinder**, from legislative representative, AFL-CIO, to assistant to Secretary of Commerce Luther H. Hodges and, later, director of Eleanor Roosevelt Memorial Foundation.

**George W. Brooks**, from research director, Pulp, Sulphite and Paper Mill Workers, to professor, Cornell University.

**Jack Barbash**, from research director, Industrial Union Department, AFL-CIO, to professor at Wisconsin.

**Paul Jacobs**, from organizer, Oil Workers Union and International Ladies' Garment Workers' Union, to staff member, Institute of Industrial Relations, University of California, and staff director, Study of the Trade Union, at Center for the Study of Democratic Institutions.

**William Gomberg**, from engineering staff, ILGWU, to professor of industry, University of Pennsylvania.

**James Brindle**, from social security staff, United Auto Workers, to president, Health Insurance Plan.

**Martin Cohen**, from social security staff, UAW, to vice president, Health Insurance Plan.

**Hy Kornbluh**, from education staff, AFL-CIO, to director of labor program, Institute of Labor and Industrial Relations, University of Michigan.

**Peter Henle**, from assistant research director, AFL-CIO, to special assistant to Commissioner Ewan Clague, Bureau of Labor Statistics.

**Seymour Brandwein**, from research staff, AFL-CIO, to special assistant to Director Seymour L. Wolfbein, Office of Manpower, Automation and Training, U. S. Department of Labor.

**Jerry Pollock**, from social security staff, UAW, to professor of public health economics, Columbia University.





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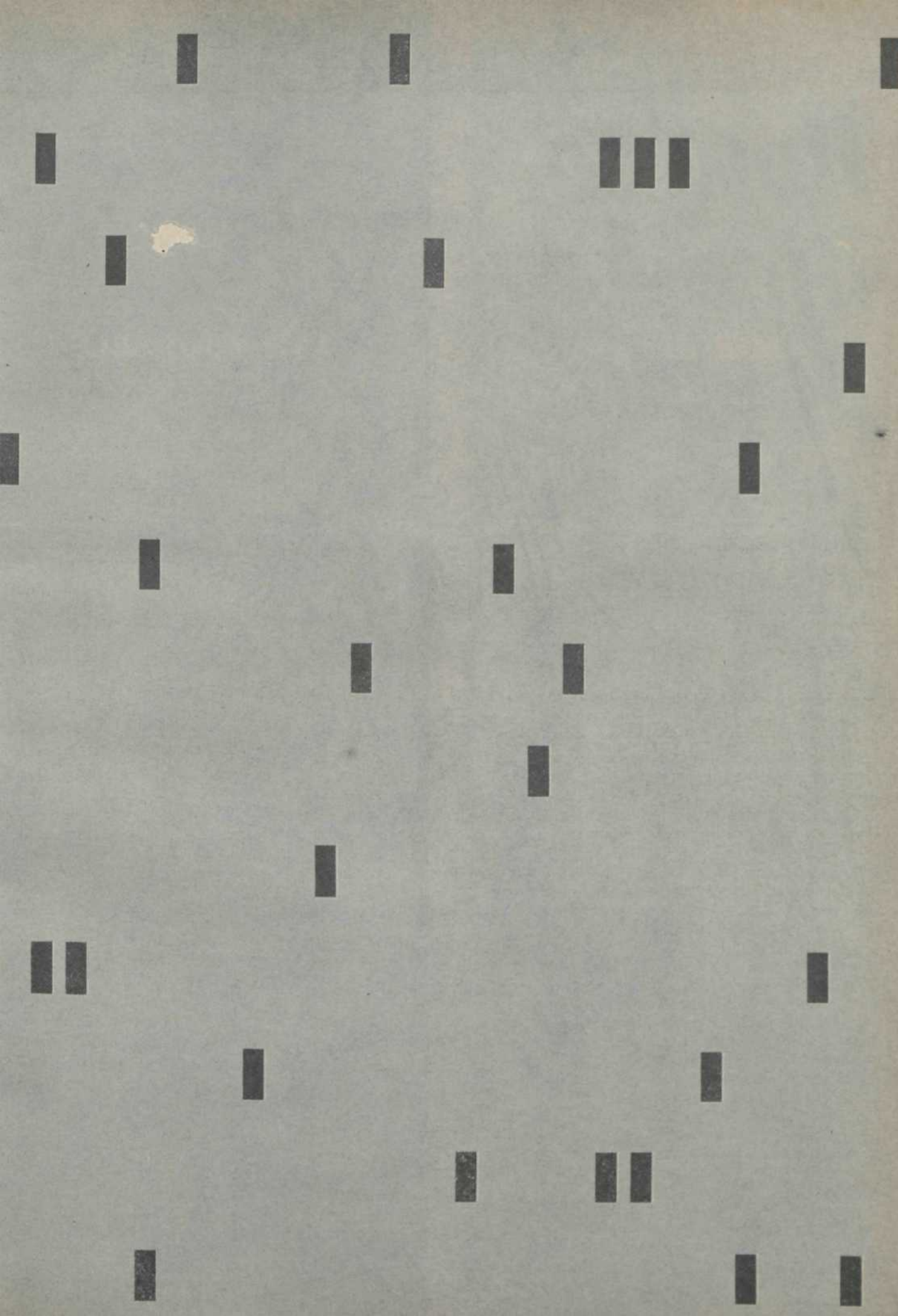
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# How to hire key people

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THE COST OF HIRING key people has risen steeply with stiffer competition for the services of these men. Indications are that pressures for finding and hiring highly skilled talent will intensify even more. Thus, alert companies are reappraising their employment techniques.

As the proportion of less skilled employees diminishes, the number of managers, administrators, scientists, engineers and other skilled professionals is bound to increase. Between 1947 and 1957 employment of production workers increased by only about one per cent. Employment of nonproduction workers rose about 55 per cent.

Prof. Frederick Harbison of Princeton University says future economic growth will depend on effective generation and use of skilled and managerial manpower. Perhaps the most important finding of his recent studies is that companies which have made the most far-reaching changes in products and processes have also had the greatest increase in skilled, professional and administrative personnel.

Since skilled and managerial personnel are scarce, companies have to do more wooing. In spite of this many firms still use employment methods dating back to a time when the need for key people was not so acute and the available manpower pool more than adequate.

Donald H. Sweet, of Arthur D. Little, Inc., points out: "These days when a potential employee visits a company, he seldom arrives hat in hand. He is there



## ASK YOURSELF

Here are the questions you should answer before you decide on hiring, promoting or selecting a man for an important job:

- What is the exact position I want to fill or the assignment I want carried out?
- What are important qualifications for the incumbent?
- Who are the people he will have to deal with every day? What particular prejudices or biases do they have?
- Is this a newly created or an existing job?
- If the previous incumbent resigned, did it have anything to do with the way the job was organized?
- Do I want a man with a lot of drive or a docile individual?
- What personality traits, if they show up in the interview, would bar the man from further consideration?
- Should his wife be interviewed also to see if she will fit the social pattern or is business kept quite separate from social life?
- Would I be willing to take a chance on a man who might stay only a few years?
- What challenges does the job present?
- Is my real purpose to fill a vacancy or to add a person to the staff to become a top executive?



at the company's invitation and should be treated as a guest. Even if he does happen to be an applicant, he will still expect individual treatment and consideration. Highly skilled and managerial people strongly resent being processed in a run-of-the-mill fashion."

Studies indicate that many offers are turned down because the candidate got the impression during the interview that his individuality would be subordinated if he joined the organization. This might not be the case, but the impression might be unwittingly transmitted during the interview. So, standardized methods should be ruled out as far as the recruitment of key personnel is concerned.

Although business spends millions each year to attract key people, a surprisingly large number of companies still mismanage the employment process. The weakest link, according to a recent survey of more than 1,000 professional and managerial employees, is the personnel department. More than 25 per cent of the participants said they turned down job offers as the result of poor treatment and poor interviewing.

Complaints focused in these areas:

1. Personnel department policies.
2. Indifferent interviewers.
3. High-pressure recruiting.
4. Inadequate information.

#### **Remember—people talk**

Not only are many prospective key people lost through poor interviewing practices, but the subsequent ill will and damage to the company's employment image (people like to talk volubly about their position-seeking experiences) must also be considerable.

Since key people are in the seller's market it is vital to know what motivates them to select a job.

The primary factor is the nature of the work itself. The inherent interest of the work, the challenge to their abilities, and the opportunities for a sense of achievement determine to a great extent whether or not an offer will be seriously considered. It is essential that during interviews with candidates all actual and potential areas of challenge, interest, excitement, accomplishments that the company can possibly yield be clearly explained. One company which conducted a turn-down survey found that 47 per cent of those contacted turned down the job because the duties of the job and its potential were not fully outlined.

While the nature of the work plays a pivotal role in job selection with skilled technical and profes-



## **ASK HIM**

Here are questions to ask people you are hiring, promoting or picking to do an important job:

- What is the candidate's work experience? What are his major responsibilities in his present job?
- How much time does he spend on various aspects of his job?
- Where does he feel he has done particularly well?
- What are the problem areas he encounters in his present job?
- Why does he want to leave his present job?
- How did the boss regard his work performance?
- What kind of people does he find most difficult to work with?
- What are the candidate's career objectives?
- What does he consider important in a job and why?
- What are the present job frustrations he wants to avoid in a new job?
- Where does he want to be in five or ten years?
- What are his salary expectations and how did he arrive at this figure?



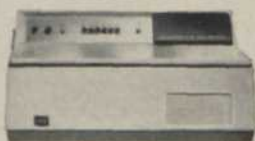
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## HIRE KEY PEOPLE

*continued*

sional people, its importance with supervisory-managerial people is frequently doubted. However, in a survey the author conducted with technical and management people, 56 per cent of the former and 60 per cent of the latter indicated that the nature of the work was the most influential factor in their decision to accept the last position they took.

Good salary is the second most important motivating factor in the choice of a job, but salary in itself is not sufficient to attract professional and managerial talent. Its principal value is to tip the scales among apparently equal opportunities.

Location is ranked third in most surveys.

Several studies have indicated that candidates' wives and families play a significant part in job choice. Their influence is especially strong when it comes to the company's location. They are most interested in housing, schools, shopping facilities, entertainment, clubs, churches, cultural facilities, local taxes and food prices.

For this reason some of the more progressive companies also invite the wife to visit the area and appraise it.

Some companies follow up with literature about the community in question. They may ask the local chamber of commerce to send materials about the community to job candidates.

Promise of opportunities for advancement is the next most important factor in job choice. Any existing program for advancement should be clearly spelled out during interviews.

It should also be pointed out that lack of opportunities for advancement is one of the most crucial factors precipitating the decision to quit.

A company's image, or reputation, figures significantly in the recruiting of highly skilled technical and managerial personnel. With the continuing imbalance in supply and demand, prospective employees have a tremendously expanded range of choices among prospective companies.

Key people, therefore, eliminate a great many companies from consideration before they actually narrow the field down to the few they will seriously consider.

Among research findings on the



corporate employment image are these:

1. Key people develop preconceptions about companies even though they have had no personal contact with them. These preconceptions affect their feelings about the firms as potential employers.
2. Key people prefer working for companies about which they have a substantial amount of favorable information. A relatively unknown company at times enjoys advantages over better known concerns since it has no negative images to overcome.
3. Key people are likely to disbelieve any aspects of a recruiting approach that do not fit their preconceived images.
4. Information sources most important in influencing opinions about companies are those which involve personal contact.
5. Advertising and public relations contribute strongly to the development of the image if they are not inconsistent with already existing images.
6. The stronger, the more personalized a company's employment image is, the more readily is it accepted as a potential employer—if the image is predominantly favorable.
7. An unconscious evaluation is made of what the company's image would say to other key people about the prospective employee. Of perhaps equal importance is the consideration of what the company does to reinforce or detract from a man's self-image.
8. Large companies are viewed generally with more favorable attitudes. But there is some concern about the large company stifling individual identity.
9. One of the most significant aspects of a company image is its progressiveness and growth potential.

Far down on the list in importance are company fringe benefits, company stability and job security.

#### **The art of questioning**

The ideal type of employment interview with key people should fall between the extremes of interrogation and conversation.

As Ruth Burger of the Research Institute of America has indicated, to many executives the employment interview "is essentially a process of direct interrogation—getting the other person off guard and firing question after question at him, courtroom-style. The interviewer may not feel as aggressive as he



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## HIRE KEY PEOPLE

*continued*

sounds, but the results, in any case, are almost certain to be disappointing.

"At the other extreme," Dr. Burger points out, "you'll find executives who firmly believe that they can learn more about a man by talking casually, rather than by planning an interview to cover specific questions. If an applicant for a high-level management position were to turn the conversation to a discussion of golf, for example, such an executive might encourage him to express himself at length on the subject and let the conversation follow its own natural bent for the better part of the interview. He may honestly think he is gaining insights into the man's personality, making observations that will prove relevant later when he sorts them out. But at the end he may have little more than a rather haphazard collection of facts about the man's interests and hobbies, and an impression of his social poise in a given situation."

Dr. Harry Stack Sullivan warned against asking the candidate such conventional questions as "What was your last job?" "What were your reasons for leaving?" "Where did you work before that?" These elicit nothing more than stock answers. Much more can be learned when the questions are phrased: "What would you say was the most promising job you ever had?" "What did you like least about that job?" "What kind of people do you work with best?" These questions cannot be answered routinely and therefore more revealing attitudes can be drawn out.

One great pitfall in questioning is asking leading questions, usually beginning with phrases like: "Would you agree that . . .", or "Are you in favor of . . ."

Another poor question is the one that yields only "yes" or "no" answers. Instead, every effort should be made to draw up questions which yield a lengthier answer and produce further insights into the candidate's personality and attitudes.

In this category belong such queries as: "What do you hope to be doing five years from now?" "What are the most exciting or interesting aspects of your present job?"

Silence during the interview often discomforts both the executive and the candidate alike and the former

feels compelled, as a rule, to break it by quickly asking another question. Experience has revealed, however, that silence unbroken by the executive frequently urges the candidate to elaborate on his answers.

Encouragement should be given to the candidate to ask questions about the work, the company, the working conditions. It should be remembered that the interview is a two-way affair. Many executives assume the totally incorrect attitude that a candidate who asks many questions is too choosy. The value of the interview is greatly dependent on the extent to which he can be induced to talk spontaneously.

Some authorities suggest that an immediate and accurate record be taken of everything the candidate says. They point out that this is an essential means of preserving the data in its original form, for memory is notoriously undependable in this respect. Others feel that immediate note-taking has more shortcomings than advantages. The limitations: Copious note-taking gives the whole interview the tone of a cross-examination rather than a friendly, purposeful conversation. When the applicant tells the interviewer facts about his personal life or information of any kind which is somewhat unfavorable, recording this may immediately inhibit the applicant. Most executives prefer to record their impressions and reasons for them immediately after the person leaves.

Observing a candidate and reaching sound judgments about him requires skill, empathy, and the ability accurately to infer from facts apprehended by the senses.

Every interview has its nonverbal clues—changes in facial expression, movements of the body, muscular tensions, variations in the quality and volume of the voice, volubility or silence. These clues should be weighed with care, for they often provoke unreasonable likes and dislikes.

Another obstacle in observation is the persistence of the first impression the executive forms of a candidate. A first impression of a vivid, emotionally colored type may thwart a just assessment of the job candidate.

This effect is illustrated by a tendency to classify a person as good or bad and then to rate him on all traits in keeping with this opinion. There are two ways to guard against this halo tendency: First, recognize that the halo effect does probably affect your judgment, as it does the judgments of practically



everybody. Second, write down your reasons for the rating of each given quality and later review these reasons to make sure that substantially the same reasons have been given for the rating of each quality.

#### Evaluation and appraisal

Ideally, the interview should terminate in a reliable collection of information. It should reveal whether the candidate has the aptitude, skill, training, experience and a host of other requisites for the job. It should also determine whether his personality is in keeping with the demands of the job and whether the candidate is genuinely interested in the type of work the position entails.

The process of assessment takes place throughout the interview. The stages run like this: 1, the formation of a general impression of the candidate, which should be kept fluid and general; 2, the development, modification and clearer impression in the light of further information, and 3, the ponderous and careful extraction of judgments from all data.

Assessment, whether we like it or not, is largely intuitive. This was pointed out recently by Charles N. Hood II, general manager of the Electronics Division, Research-Cottrell, Inc.:

"Consider, for example, the average employment interview for a professional. In many organizations, this might last only an hour or two. Even in the most painstaking companies, and even for the most important positions, it would seldom last more than one or two days. The responsible manager must, however, arrive at an assessment of the candidate's technical capabilities, personality, suitability to the organizational climate, and a myriad of other parameters.

"Only a small fraction of these can be assessed through exercise of cold-blooded logic for the simple reason that insufficient data is available. In the absence of logic, nothing is left but intuition. It is here and in this exercise that the really good manager stands out from the mediocre; namely, in the ability to select through intuition, not just adequate subordinates but superior ones, and to do this consistently and with regard for the particular demands of the position which he is trying to fill. Intuition, seasoned by experience, is real judgment. It's also what managers are paid for. Let's not sell it short for a mess of charts and statistics."

—EUGENE RAUDSEPP

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# WHAT BUSINESS CAN DO FOR AMERICA

*continued from page 31*

American business pioneered in exploiting the possibilities of mass markets—of seeking higher profit levels through lower prices and expanding sales, not through increased profit rates on limited output. This basic philosophy is as relevant today as it was 50 years ago and time has proved its worth.

## EQUAL OPPORTUNITY

The achievement of full employment and of a faster rate of economic growth will be of prime importance in giving substance to "equal opportunity." But beyond this, you, as businessmen, can play a leading role in giving all Americans a direct chance to share in the creation of a stronger economy and in the fruits of that economy. In communities all across the nation, businessmen hire workers and serve customers and thus have an opportunity in their everyday business conduct to make a decisive contribution to the practice of American democracy. I ask of all of us that we judge each other not as white or nonwhite but as Americans and in so doing expand our markets, increase our productivity, and strengthen our nation.

## THE JOINT TASK AHEAD

Business can help on all these fronts—on tax revisions, on investments, on exports, on prices, on equality of opportunity. But business cannot achieve our common goals alone. This is too much to ask of any group. Nor, and let me make this clear, can government do it alone.

Business, labor and government are partners and no one partner can complete the task if the other partners are not doing their shares. That is why, in much of what I have said, I have spoken of what we can do together.

For business decisions not only influence current and prospective economic conditions, they also reflect these conditions. It is government's task to create a climate in which your decisions to expand and invest, to export, and to assist in defending the stable dollar, are sensible and meaningful.

The present economic expansion is an example of the interaction of government policies and business performance. Part of the rise in economic activity is the result of business decisions made in response to last year's investment tax credit and depreciation guideline revision. The latter were government policies; but you made them effective.

A recent private survey indicated that over \$1 billion of the business expenditures on new plant and equipment planned for this year are directly related to last year's tax credit and revised depreciation guidelines—measures the Executive and the Congress took to encourage new investments. Without this \$1 billion margin, business investment plans for 1963 would have shown much less change from 1962.

I have no reason to doubt that the future will tell the same story: that government can pursue policies to encourage expansion, and we will do that; that businessmen can make these policies effective by playing the dynamic role the free market assigns to them, and you will do that.

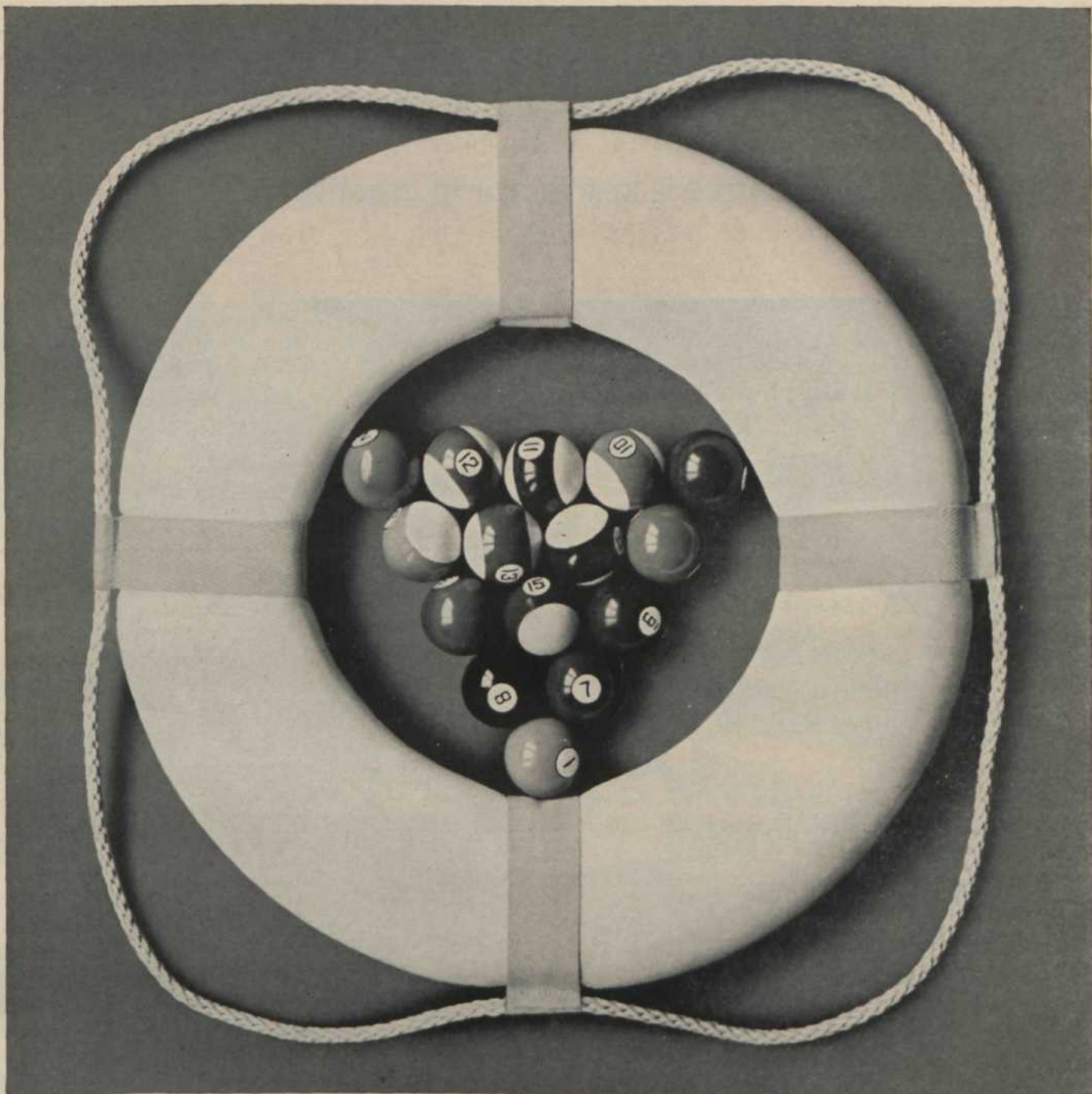
Our aims are the same. If you fail, all America fails. But, in fact, we will succeed. The results will demonstrate to men everywhere the power and thrust of the American free enterprise system—the mightiest engine of economic progress the world has known.

END





## How Marine Midland banks serve business best in New York State



### They were racking up too many pool sales

In his off-season, an East Coast swimming-pool manufacturer began making pool tables. The new line sold so well he had to turn down orders once the swimming-pool season came around again. Clearly, more room was needed. The right additional plant space was available in Western New York, but he felt his capital position made a second operation "impossible." Which is where Marine Midland came in. We arranged for the necessary capital in less than ninety days and introduced him to several other people who helped complete the deal. □ This story is typical. As New York's only state-wide banking system (11 banks with 187 offices serving 111 communities) Marine Midland has the grass-roots knowledge, experience and contacts to spot opportunities for you all over the state; and we have the resources to help you make the most of them. No matter what your line. If you do business in New York State—or plan to—let the Marine Midland state-wide group of banks help your business.

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New York's state-wide group of banks

MEMBERS FDIC



# Here's do-it-yourself

Local initiative is key factor in creating jobs





# unemployment cure

CURTIS PETTIT worked for 20 years as an oiler in a South Carolina textile mill, bringing home a paycheck which rarely exceeded \$50 a week.

But one payday recently Mr. Pettit received a check of more than \$100 for the first time in his life. He is now a skilled machinist in the Firestone Steel Products Company at Spartanburg, S. C.

Who brought about the change? Mr. Pettit did—by seizing an opportunity offered to him by the South Carolina Committee for Technical Education. After investing 520 hours of his time in evening training classes, he qualified last April for the job at Firestone.

Now his foreman says: "When I want a top-quality job done, I give it to Curtis Pettit."

The Committee for Technical Education has trained Mr. Pettit and 10,000 more of South Carolina's unemployed and underemployed workers since its establishment two years ago by the state legislature. Workers are now being trained at the rate of 800 each month, and program officials expect to be training 17,000 workers a year by mid-1966.

The problem of teaching workers the skills which will fit them for available jobs is of national importance. Although our country's expanding economy has provided about 870,000 jobs during the past year, they had to be divided among more than one million new workers.

For the past five years unemployment has surpassed five per cent of the work force. As the mass of young workers enters the job market in the next several years, the gap between added workers and available jobs will widen.

The situation is further complicated by the fact that our rapidly developing technology has made some jobs obsolete, although it has created others.

The Kennedy Administration wants to meet the unemployment problem through tax reduction, public works acceleration, and youth employment proposals.

Many states are taking action to meet the dilemma.

Skills in demand are taught workers at special centers. Greenville class at left, for example, gets know-how in air conditioning and refrigeration

A number of them are making use of money provided under the Manpower Development and Training Act, passed last year by Congress and for which the Administration is seeking additional funds.

South Carolina's Committee for Technical Education—which operates independently of other state agencies, including the federally aided department of education—is an example of the imaginative approach of some states.

It is unusual in an important respect—it is financed entirely by state and local money, making no use of federal aid.

This do-it-yourself philosophy, and the effectiveness with which it is getting the job done, has won the respect of business leaders throughout the state. Robert N. Mitchell, a vice president of the SCM Corporation's Marchant Division and general manager of its calculator-manufacturing plant at Orangeburg, S. C., says:

"The committee's program has been a major contributing factor to our success. It was vital in helping us start up this plant and reach full efficiency in a

Training enabled Curtis Pettit, who had been textile mill worker, to get skilled machinist's job at Firestone Steel Products Co. in Spartanburg



PHOTOS BY WILSON,  
LEVITON-ATLANTA





Skilled workers for new Elgin National Watch Company plant were trained under the Committee for Technical Education, headed by A. Wade Miller

---

Walter Tisdale, first graduate of program, joined Firestone Steel in July 1962, now is a supervisor. He had been a cotton mill weaver



Donald Griph, formerly a soft-drink salesman, completed aircraft assembly course, now works in Lockheed plant at Charleston





short time. Without it, we would have been faced with a monumental task in getting a trained work force."

The purpose of TEC, as the Committee is called, is stated concisely by South Carolina Gov. Donald S. Russell:

"This program takes people who want a job and trains them to get it. We have many of these people in our state.

"South Carolina has been too long a single-industry state. TEC has helped us diversify our industrial base, which is necessary to develop our economy and create more jobs for our people."

The do-it-yourself approach runs throughout the program. J. Bonner Manly, one of the Committee's eight members and an official of Abbeville Mills, describes it this way:

"At the state level, we are using the state's own money to help its people train for new jobs.

"At the local level, communities have raised about \$5 million to build the technical education centers which form a major part of the program.

"But the key ingredient lies with the individuals who invest their own time and effort to upgrade skills and learn new skills so that they will qualify for better jobs. Our prime asset is their motivation to make their own investment in the program in order to benefit from it.

"South Carolina is among the poorer states in financial resources and per capita income. Yet we have a training program which is both productive and economical. Everyone contributes—there is nothing here for the person looking for a handout."

As in the case of other southern states, South Carolina faces a double threat to employment. Mechanization of farming and federal crop restrictions, together with growing foreign competition in cotton and tobacco, are forcing the farm population down at the rate of 12,000 persons each year. At the same time, automation in the textile industry, which historically has provided two thirds of the state's industrial employment, is eliminating 6,000 jobs yearly.

"To find new jobs for all these people, plus the youths entering the work force, we have to run fast just to stand still," says A. Wade Martin, state coordinator of the Committee. "We must industrialize to provide these jobs."

South Carolina officials believe that TEC is making a significant impact on the state's unemployment problem in two ways:

By training workers in industrial skills, it is providing a growing labor pool which makes expansion of existing industry possible and also attracts new industry to the state, thus creating new jobs. And for each new industrial job, two service jobs customarily come into existence in the community. New and expanded industry in the state produced about 12,500 new industrial jobs a year from 1959 through 1961. In 1962, as the Committee began to swing into full operation, this figure jumped to 18,500.

By upgrading the skills of employed and underemployed workers—in addition to teaching new skills to the unemployed—the program makes it possible for them to move up the job ladder, leaving room at the bottom for less qualified workers who need jobs. When

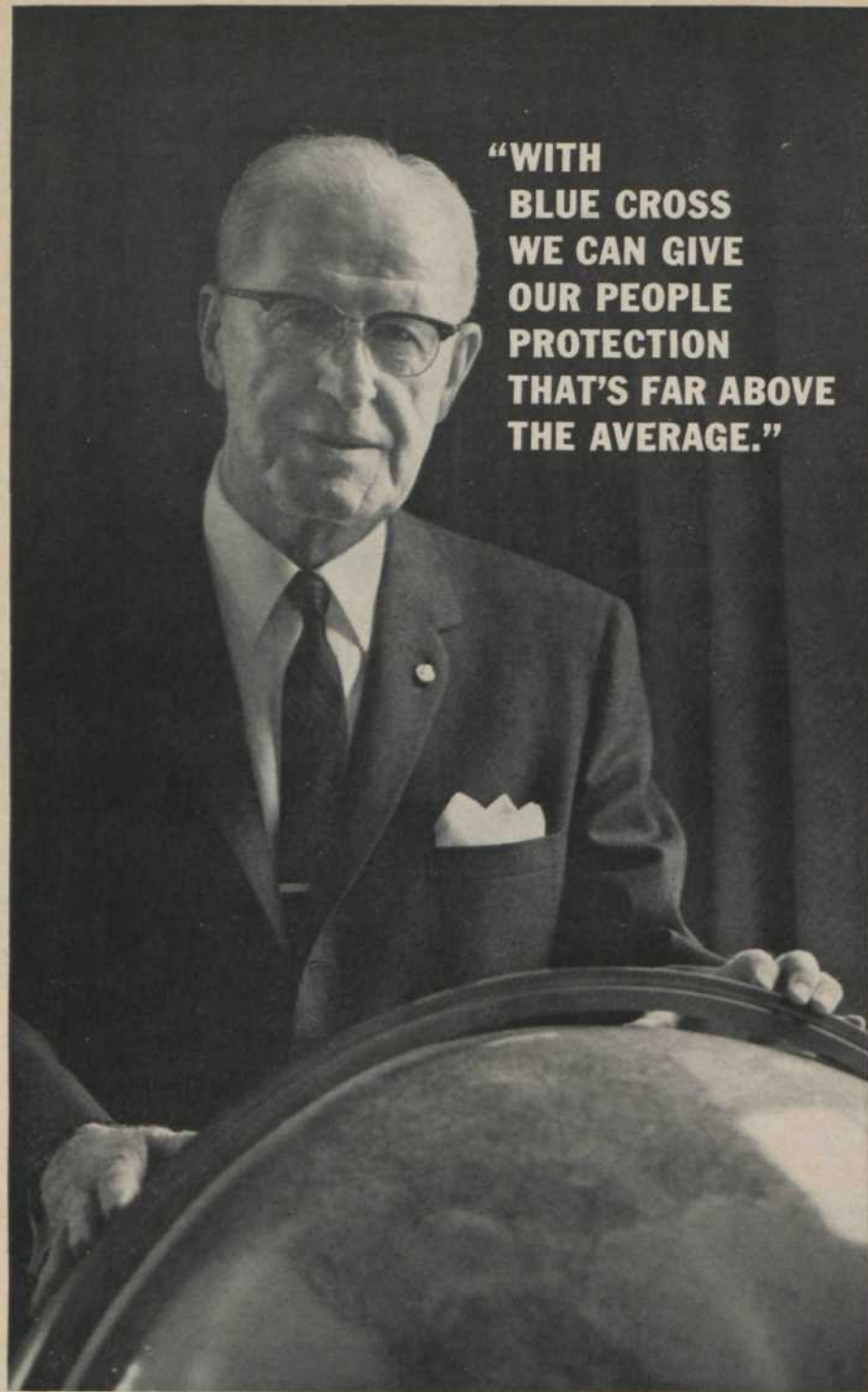
Howard Brown, case repairman for Elgin, says: "I'm not only making more money, I'm much happier than I was before"



Russell Elsey worked in a store and as a milkman. Then he received aircraft assembly training, went to work for Lockheed







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## UNEMPLOYMENT

*continued*

a service station attendant, through training, moves into a job as an automobile mechanic, he leaves his former position open for a less skilled individual who has no job.

How does TEC operate? It is governed by a committee of six citizens, who represent different parts of the state and are business leaders intimately acquainted with the job needs of business and industry. These men are appointed by the governor with the consent of the state senate. Two state officials, the superintendent of education and the director of the State Development Board, are ex officio members to ensure coordination with their agencies. Mr. Martin, a methods engineer and former administrator of industrial and technical education in North Carolina, heads the full-time staff.

### Counties build centers

Eight technical education centers have been established where labor market surveys have shown a need for them. One—at Greenville—has been in operation for the past year, four will open this month, and three will open early in 1964. Each has a full-time administrative and teaching staff aided by an area commission for technical education, made up of local businessmen.

These centers—which contain classrooms, laboratories, and workshops—are built and owned by the counties which they serve. Building costs range from \$540,000 to \$850,000. Equipment, from machine tools to computers, is owned by the state. This permits shifting items from one center to another as needs dictate. TEC has bought more than \$1 million in up-to-date equipment.

Strong emphasis is placed on keeping abreast of current employment needs and industrial practices. All faculty members must have had experience in industry and will be rotated back to their own industry periodically to familiarize them with the latest techniques.

For each type of training, a committee of men from that particular technical area or craft passes judgment on the teachers, equipment, and instruction. Robert L. Grigsby, director of the Richland Technical Education Center at Columbia, says:

"These committees are the life blood of each program. They keep us completely up to date."

The courses at the technical edu-



cation centers are separated into three divisions:

The technical division—offering training for jobs at the technician level. Programs include data processing; technical drafting and design; chemical, electronic or textile technology, and others. A high school education is required for enrollment, and the programs extend for two years of full-time instruction or four years of evening classes.

The trade division—where a student may learn the skills needed in air conditioning, refrigeration and heating; automotive mechanics; industrial electricity; machine shop work, and welding.

The extension division—which makes available courses requested by a particular industry. Instruction, including supervisory level courses, is given at the center or at the plant.

#### **All applicants tested**

Students attending evening classes at the Greenville center include such men as E. J. Hall, a 33-year-old tool and die maker who is studying tool and die design. "I want to better my education and move up in my company," he says. "Because of this training, I've been promised the next job in design that opens up in my shop."

Standards are high at the centers. Applicants are given a series of aptitude tests and their school records examined. On the basis of this, they are advised whether they qualify for training as a technician or as a skilled craftsman. A continuing effort is made to prevent anyone from trying to train for a job which would be beyond his ability.

A major part of TEC's work during the past two years has been setting up and operating temporary training courses for corporations which have opened a new plant in South Carolina or expanded their existing plant. Nearly 70 such crash programs have provided trained workers and some are still in operation. About \$315,000 of the Committee's \$1.8 million budget for the current fiscal year will be used to finance these operations.

Companies taking advantage of these programs, which have placed many of the state's unemployed and underemployed workers in skilled industrial jobs, praise the quality of their newly trained employees.

The state offers no payments to persons undergoing training—in contrast to the subsistence allowances paid under federal programs. Officials credit this with screening



**HUGH ROBERTSON**, Chairman of the Board, Zenith Radio Corp.

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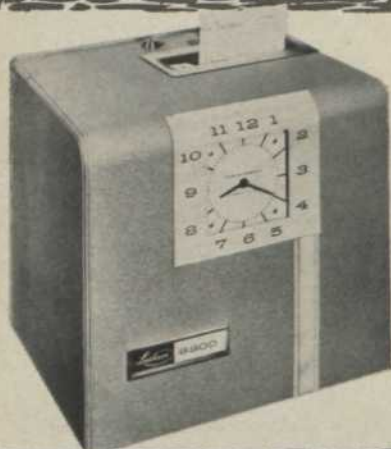
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## UNEMPLOYMENT

*continued*

out people more interested in benefiting from the government payroll than in preparing themselves for a job.

"The degree of motivation is vital," says O. Stanley Smith, Jr., a Columbia businessman who is chairman of the Committee for Technical Education. "It's a fact of life that if you put your own time and effort into a project, you're motivated to do a better job than if it is handed to you on a silver platter. It's educationally unsound and a waste of money to pay people to learn. Education and relief are not the same and they shouldn't be mixed."

"We've found that the same motivation that moves the individuals in our program also moves our communities. I believe they have worked harder to help themselves by financing TEC centers than they would have if the money had been provided for them. Some current proposals for federal aid include funds for construction. Imagine the effect of this on communities which already have paid their own way."

### How program works

As R. L. Boynton, a training specialist who is conducting a program to provide aircraft assemblers for a Lockheed Aircraft Corporation plant at Charleston, puts it:

"When you have a fellow who will go through a training course on his own time with no pay, you've got a man who really wants to work."

Possibly the most dramatic of the crash programs are those which provide a trained work force for a new plant. A typical example is the program that trained 162 skilled workers for a multimillion-dollar Elgin National Watch Company plant near Columbia.

Six months before the plant opened last February, specialists from the TEC staff began planning with Elgin officials a training operation which would be completed at the precise time the plant would be

ready to go into production. The local community made available a school gymnasium as training quarters, and it was air conditioned and dust proofed to make possible the delicate work of watch assembly. TEC moved in some equipment from its pool, and Elgin provided the specialized equipment required.

Specialists determined the skills which would be needed and the number of workers with each skill. A critical path schedule was set up so that the training courses for different skills, which ranged from four to 12 weeks, would be phased in to reach completion at the same time.

Instructors from Elgin were placed temporarily on the Committee payroll, and more than 300 applicants for training were interviewed and given aptitude tests. Of these, 196 were selected for training and 162 completed the course. All were hired by Elgin and, when the plant opened, a trained force was ready to go to work at jobs which had been completely unfamiliar three months earlier.

"The trainees' willingness and ability to learn was even greater than our expectations," says Marlen E. Benter, Elgin's chief industrial engineer. "Some of them came out of the program at 100 per cent efficiency and, thanks to TEC, the lag between plant opening and full productivity was shortened by more than four months. We've exceeded our original production schedules and have moved the schedules up."

The plant, which has been assembling and casing watches, is now preparing to manufacture the parts. A second training program will teach new skills to nearly 300 people.

Members of the Committee for Technical Education are so enthusiastic about the results of their do-it-yourself training program that they journeyed to Washington recently to point out to the South Carolina congressional delegation the shortcomings of proposals to expand existing federal programs and enact new ones.

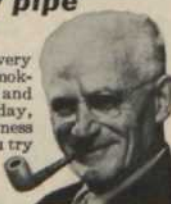
Bonner Manly puts the consensus of the Committee into these words:

"There are great opportunities ahead for people throughout our nation, but they will never achieve them without investing their own time and energy." **END**

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## SEEK SUCCESS

*continued from page 33*

**What kind of managers score highest in your achievement tests?**

Salesmen, people who start their own businesses, consultants—jobs where you are essentially selling your services. Those are the main ones. Less entrepreneurial jobs include office managers, personnel managers, and labor-management relations, where the job is mainly one of mediating among conflicting pressures rather than going out and getting business.

Generally, we find that money managers tend to be low in the need for achievement. They are important people in business. But they are not the ones that start a business and keep it growing.

**Is there a close relationship between the achievement drive and earnings?**

Yes, but it's not terribly conclusive. It's affected by age and years of experience.

We studied relatively small companies and large companies. In large firms the need for achievement was associated with people in the \$25,000 pay range. People with less salary, whom you might regard as not so successful, had a lower need for achievement. So there was an increase from the lowest level of management to the middle level. But then further up in these corporations you get a decrease in the need for achievement. It's possible that the highest levels of management in large corporations don't require these entrepreneurial types so much as they require another type of person.

Another possibility is that these men are older and the need for achievement has declined with age.

**What makes a person want to achieve things?**

We trace it to the kind of upbringing a person had. You usually find that these people came from families in which the parents set high standards for their boys.

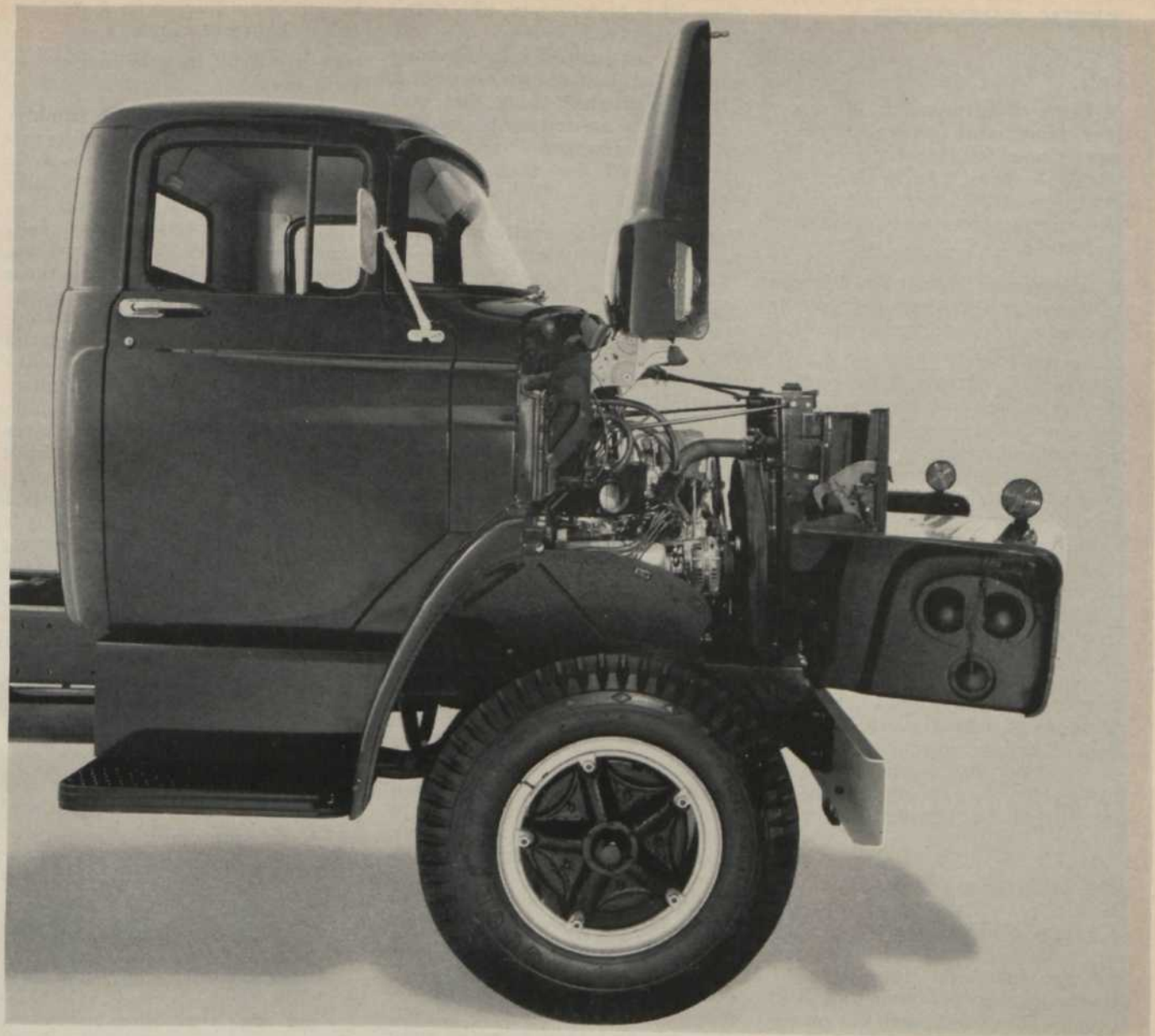
Secondly, the parents tend to be more encouraging, more rewarding.

And then, finally, and most importantly, a father doesn't suppress the boy's desire to do things on his own.

Their mothers can boss them around. That doesn't seem to matter so much. But not the father.

We find that parents tend to be influenced in how they're trying to bring up a boy by their values, their religious orientation or their feeling





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## SEEK SUCCESS

*continued*

of being disadvantaged. We know that immigrants generally feel a greater need to achieve. So we have tended to have a higher need for achievement than many other countries partly because of successive migrations.

**Is achievement something that can be learned in a business or university development course, for example?**

We think so.

My main research at the present time is in what we can do to produce an achievement motivation development course.

Obviously, it's long-range business to try to get parents to bring up their children differently. So we have devised a special course for business executives, to increase their desire to achieve.

The Human Resources Development Corporation was set up to run these courses initially for research purposes. We also are working closely with the International Marketing Institute at the Harvard Business School, and we will be giving some of our training courses through them. They have been training international businessmen for some time.

We have given courses here and in Mexico and India. In the United States we tried it out with a group of IBM executives first. They started out being quite critical but ended up being very enthusiastic, except—typical of IBM people—they condensed the course, because they were so busy, from three weeks to one week.

We have elaborate research studies to follow up on these people who have taken the course compared to a carefully matched control group which is made up of people who have not taken the course. But we are insisting on waiting about two years before we do a follow-up study to see what long-range effects there are.

**Are there any preliminary results?**

Not really. We have the kind of feed-back that encourages you but doesn't really convince you. We have reports from men who have taken the course.

They say it's great.

All sorts of development courses are given which businessmen have been praising for a long time. But we wonder, what are the concrete results two years later? How are these people behaving differently

from other businessmen who didn't have a particular course?

We're not satisfied with consumer satisfaction. Lots of men are saying, "It's the greatest thing that ever happened to me and my philosophy of life has changed—" and so on. But it's just too soon to know definitely.

**Does this training involve considerable change of attitudes?**

Yes. What we do first is to teach them what we mean by achievement. We have found that most people don't know how much of their time they spend thinking about achievement. If you ask them they say, "Oh yes, I am very interested in achievement." But if you actually tap into their thoughts by our testing technique, you find that in fact they do little achievement thinking.

Achievement thinking is very important for the success of the entrepreneur; if that is the kind of person he wants to be, that's the way he should be thinking.

First, people have to discriminate achievement thinking from power thinking, from affiliation thinking, from thinking about status and recognition, which are quite different things.

Then they put this into effect in a business game where they are required to take certain risks and make decisions and conform in certain ways.

In the third stage they get a form of the Harvard case method. They attempt to re-think business problems out of their own lives in terms of how they would approach the problem from the achievement point of view. And then there is group discussion.

The fourth stage in the course involves an examination of one's life goals. It gets very personal. You begin to wonder, what kind of a person am I, and why am I really doing what I'm doing, and do I really want to be this kind of person or don't I? A few people, after they have been through this much self-examination and discovery of what achievement thinking is say, "I don't want to be that kind of person."

We had one man, in the Mexican course, who quit his job, which was a great accomplishment because he had been a terrible nuisance in the job. He had it only because his father, who ran the firm, made him executive vice president. He was absolutely unsuited by personality and interest for the job. His father knew this but felt he had to employ him. So his father

bought him a chicken farm and now he's as happy as can be.

**Isn't it difficult to train someone in three weeks?**

It seems difficult to us, frankly. We are really using some quite unusual techniques. This three-week course involves the person totally in a re-examination of himself.

It is really a very intensive self-examination. We train by going down to the roots, examining them and re-thinking things thoroughly. We are, after all, clinical psychologists. We believe we have learned some things about personality change from clinical psychology and psychotherapy that may enable us to bring about change in ways that the ordinary teacher couldn't achieve through lectures.

But we have a lot to learn. I would like to emphasize that this is still a research enterprise and we are experimenting all the time with techniques that will speed up personality transformation. Most businessmen already are pretty strongly achievement-oriented. One place where we can show our effect most easily is in the underdeveloped countries where this type of talent is in short supply.

**You mean we should supply values rather than money and know-how?**

That's right, and this is precisely the revolution I would like to see in our foreign-aid approach—that if you are selling values and motives you are likely to get further with less money than if you simply give them the material and leave them with their old values. It is obvious by now that they often misuse the material wealth that you give them.

One of the paradoxes of history is that the Russians, because they are much poorer than we are, have had to export values rather than guns and butter. They export communism, which is very achievement-centered.

**Is an achievement-centered person constantly getting ideas or thinking of ways to implement ideas?**

Both. He is looking for a way of doing something better, faster, with less work; sometimes it's discovering a new angle. In essence, he goes out looking for challenges to his ingenuity.

**How can a businessman create a spirit of drive and achievement in his company?**

By making sure the goals of the company are clear to his subordinates, by giving proper recognition of achievement when people do





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## SEEK SUCCESS

continued

achieve certain goals. You have to create an atmosphere in which achievement is rewarded.

We made a study recently of two firms. One was well set up to reward the person with high achievement motivation. They moved up more rapidly and the company was growing very fast. We contrasted it with another firm which was run like an old-fashioned feudal estate in which the boss really controls everything and all the executives spend their time trying to avoid falling out of favor or, on the other hand, trying to ingratiate themselves with the boss. It was a very different atmosphere, and the company was actually standing still.

It's quite clear that top management can set the tone for the whole organization. If you don't have people with a high achievement motivation the business doesn't grow.

### Is this drive tied to national economic growth?

It seems to be, in the sense that we found that if you code the degree of concern with achievement in popular literature, you find that where the concern for achievement is high in literature there tends subsequently to be a rapid rate of economic growth.

By popular literature, I mean everything from stories in children's readers that are used in the public schools, to street ballads or popular songs, and plays.

If there is a lot of concern for achievement abroad in the land, then it is more likely there will be more people in business with a high need for achievement, which will make business grow faster. And if businesses grow faster, the economy grows faster.

### Is the U. S. becoming a more or less achievement-minded society?

Unfortunately, the evidence is pretty clear-cut that our achievement motivation has been going down. Studies have shown that it was higher around 1890 or 1900 than it is now. This was the period when the Horatio Alger stories captured everybody's imagination. Most people tend to think this is pretty corny nowadays.

I have a study which needs some careful checking. But we did an analysis of popular literature, of what people were reading about and thinking about. We found that there was even a quite marked drop in



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## SEEK SUCCESS

*continued*

achievement motivation between 1958 and 1961.

This study was done to compare our standing with the Soviet Union. It was difficult to get popular literature from Russia which is exactly comparable to ours. But the indication is that their achievement content is about double what it is in our popular publications.

Achievement motivation is going up in the Soviet Union and it is going down in the United States. The concern for power and thinking in terms of power has gone up in the United States as achievement interest has gone down. We are obviously more concerned about power matters now than we were, say in 1925.

**What does that include? Power figures such as big labor, big government or big business?**

It includes all activities involving control of people. It would include, in a sense, what is going on in civil rights at the present time, and of course all the political and economic power struggles.

This reflects the fact that the United States is involved in a number of power struggles. Oddly, we tend to see our competition with the Soviet Union somewhat more in power terms, and they seem to see it, within their totalitarian philosophy, in achievement terms. They say, "We're going to outproduce you." And we tend to say, "We intend to control you and keep you from expanding."

I ought to make it clear that American motivation to achieve is still above the world average, although it has declined.

It is now about the same as the USSR. It's just that the trends are going in opposite directions. Theirs has been increasing; and ours, which was quite high, has come down.

**Is the fact that government is growing larger partly responsible for this?**

You've pinpointed another power struggle: Who is going to do it, the government or the private sector? This is seen very often in power terms, not so much in terms of who can do it better although that's the way the argument used to be fought.

**Could it be that a highly industrialized country with a high standard of living has less need for achievement?**

I don't think there's anything inevitable about it. But one rather

simple theory which comes out of experimental psychology is that as things become easier for you, as there are fewer challenges around, you slack off in your achievement concern. We know that.

And, by analogy, I'd say that countries like England and the United States are getting older and more industrialized and there are fewer challenges.

The new nations, almost without exception, have got a lot to achieve.

**Do you think businessmen feel a bit guilty about seeking profits as the symbol of success?**

I've been in business and I'm on boards of directors and so on, and I've talked to a lot of businessmen. They will always put it in dollar terms: "We're in business to make a profit." That's a shorthand way of saying, I am sure, that that is the evidence that they have done it well.

But I do think there is some guilt involved. They handle this in various ways—some of them defiantly. Some of them try to cover it up and say, you know, what's good for the company is good for the country and so on. There are various rationalizations.

But I'm sure that you have got to have some standard of excellence imposed, some quality control. In the business society, our quality control happens to be the profit and loss statement.

**You think then that, even in a society with many satisfactions and needs met, the desire for achievement can be stimulated?**

Yes, I think it can. It must be.

Many companies are encouraging people to keep going to school. They want to persuade kids to get technical training and not to drop out of high school, and to tell adults in the work force that they have got to keep going to school all their lives.

Now this is what I consider a terribly important thing to do, to keep raising people's levels of aspirations as to what they can do. Well, it would seem that business is the natural champion of achievement motivation.

Business does a lot of things along these lines; you know, Junior Achievement, and so forth.

But there's still a problem. I was talking with a fellow on a plane coming from Philadelphia. He said in Florida—and I think it's just as true in other places—that you can't get a skilled carpenter or a skilled plasterer or a really first-



class craftsman. We think this really reflects the fact that in the so-called working class the level of achievement motivation is pretty low. This means that you just don't meet the demand for really skilled people.

We have got a tremendous job on our hands. Working class people don't have to be low in their need for achievement, as they happen to be in the United States. They are not in Japan at the present time. We have done studies in Japan. We find that working class kids there have very high needs for achievement which, I think, accounts for some of the excellence of craftsmanship that now comes out of Japan. They may be somewhat more lacking at the top managerial level than they are in the skilled crafts. In the U. S., we've got awfully good people at the top, but not at the skilled craft level.

#### Can we regain our achievement drive on all levels?

Everything I have seen is rather discouraging at the present time. But, there is nothing inevitable. For example, England had a peak of achievement motivation about the time the New World was discovered, at the time of Drake. Then it had a decline that lasted about a century and then a tremendous rise again. There is no reason why once you've gone down you can't go up. The effort to send a man to the moon and explore outer space may be excellent from the point of view of raising people's aspiration level. This captures the imagination of the American people.

But unfortunately again it is too often phrased purely in terms of the power image, that we have got to get to the moon, not because of the great accomplishment, but we've got to get there before the Russians do.

Business executives can create a climate of achievement where people who work hard are rewarded. Promoting people and paying them primarily in terms of seniority does not stimulate achievement.

And I think quality control is obviously a problem. Businessmen have to be concerned about the quality of their product and making sure that people are working up to standards. There are some people who are more concerned about making a dollar than they are about making a product that is worth a dollar or doing a job worth their pay, to put it very bluntly. This certainly does not make for achievement-minded entrepreneurs or employees.

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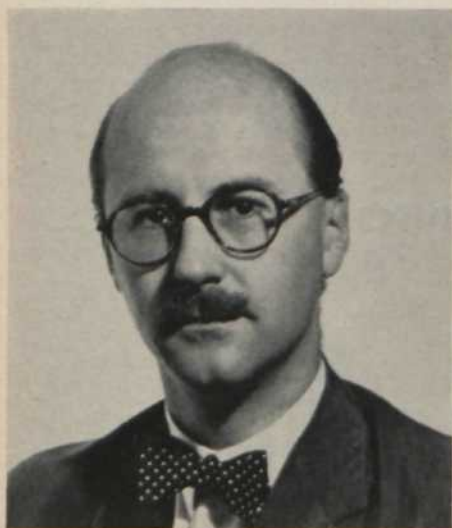


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# Brighter opportunities ahead in Latin America

On-the-scene survey discloses  
new, encouraging trade trends



*This article was specially prepared for NATION'S BUSINESS by Brian de Soissons, manager of the Economist Intelligence Unit's Western Hemisphere Department, following travels in Venezuela, Colombia, Ecuador, Peru, Bolivia, Chile, Argentina, Uruguay, and Brazil.*

PRESSURES FOR CHANGE are building in Latin America to the point where something must give—as it already has in Mexico, Bolivia and Cuba.

How far will these forces go by 1970? Will they succeed with explosive force, doing irreparable damage—as in Cuba—or will they engender wealth and prosperity? And, if so, to what extent and in what manner can U. S. businessmen share in it?

Latin America is on the verge of a resumption of the postwar development that slowed down greatly after 1957.

In fact this has already begun; Colombia had a growth rate last year of 5.8 per cent, slightly more than the 5.6 per cent aim in its 10-year plan.

Opportunities for expansion of U. S. business in the area clearly will grow.

U. S. exports to Latin America have been declining since 1958. This decline has been steady and has been more or less uniform in all classes of goods. Exports in 1958 totaled \$4 billion but in 1962 only \$3.1 billion.

To some extent this loss has been to Western Europe, whose exports to Latin America have been rising for several years. But it was also in large part due to the stationary or even declining level of economic activity in some of the major Latin American countries.

From now on, U. S. exports should begin to rise again.

Capital goods—machinery and vehicles—make up some 45 per cent of U. S. exports to the area; Latin America takes a large, though in recent years falling, share of total U. S. exports of these classes of goods.

It is likely that, with rising aid and rising commodity earnings, a market of \$2.5 billion will exist for U. S. exporters of these goods before the end of the decade, against \$1.6 billion in 1960.

One forecast can be made with certainty: All foreign exchange will





PIX

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## LATIN AMERICA

*continued*

continue to be needed for development, and the money made available for imports of consumer goods of all kinds will continue to be scarce.

Moreover, the next few years will see a considerable development of such industries as chemicals in Latin America. The aim will be to reduce the \$400 million market for U. S. chemicals and chemical products as much as possible.

### Prospects will improve

It is probably safe to say that most U. S. firms, except those requiring highly skilled and specialized labor, should seriously consider setting up manufacturing facilities in Latin America if they have not already done so, both to take advantage of the kind of growth forecast and to beat some of the highest tariffs in the world.

More important, it is most likely that by 1970 the Latin American Free Trade Association will have laid some of the foundations for an economic community of the future. Even though it will by that date have freed much intraregional trade—if too much advantage is not taken of the escape clauses in the treaty—it is unlikely to do more than lay the foundations by 1970 owing to the formidable transport problems, the strength of ingrained trading attitudes, and the timorousness of much of the existing industry.

But it would be a mistake to underestimate the long-term potentialities of the free trade arrangement.

By 1970, too, the Central American Common Market will be a reality, and will probably be applying to join the free trade group. The association would then comprise every country in continental Latin America with the exceptions of Bolivia, Venezuela, Panama, the Guianas and British Honduras, and some of these may have joined by then.

It has been estimated that, if the region as a whole developed at an annual growth rate of 5.5 per cent and trade machinery were established to allow a certain amount of integration and mobility of factors of production between the countries, by 1975 Latin America would require a production of steel and steel products of more than 30 million tons, seven times the present figure, automobile production six times the present figure, and chem-

ical, petroleum derivatives, paper and board production four times the present figure.

The growth required in consumer goods would be less, but for some items would amount to about double that of recent years.

In other words, the growth industries of the Latin American future will be those that use more complex techniques, mechanical and electrical equipment, metallurgy.

Projections made by the United Nations Economic Commission for Latin America indicate that in 1975 there will be a market unsatisfied by local production of \$923 million for steel and semimanufactured steel products, and \$92 million for copper and copper products. But these represent only 18 per cent of total consumption, and so local production will greatly increase.

### What causes problems?

There are, of course, many frustrations for the U. S. businessman setting up in Latin America, arising out of the instability of many of the currencies in which he is trying to do business and the interference of officialdom.

The latter is particularly irksome, but it seems likely to grow. To many Latin Americans the system of unfettered free enterprise and the free interplay of market forces has been weighed in the balance and found wanting, in the Latin American context.

This feeling finds expression in faith in economic planning among the intellectuals, and in economic nationalism in some other sectors, so that Latin Americans often seem to be perversely fighting the foreign development capital and know-how they want and need so much.

But there is no reason why U. S. firms should not profitably cooperate with this movement rather than fight it, as many investors in Mexico have discovered. The main thing is the question of attitude, which may be summed up as follows:

Do not go into a Latin American country unless you have faith in the country and its people and are prepared to take into partnership both local capital and local management.

Latin America has many advantages. It has an industrial tradition, which means that it has skilled workers and managerial talent, scarce though these may be as yet; some of its engineers and technicians are the equal of those anywhere; its probable growth rate is higher than any other area; it is for the most part firmly in the western camp.

At the same time, Latin America



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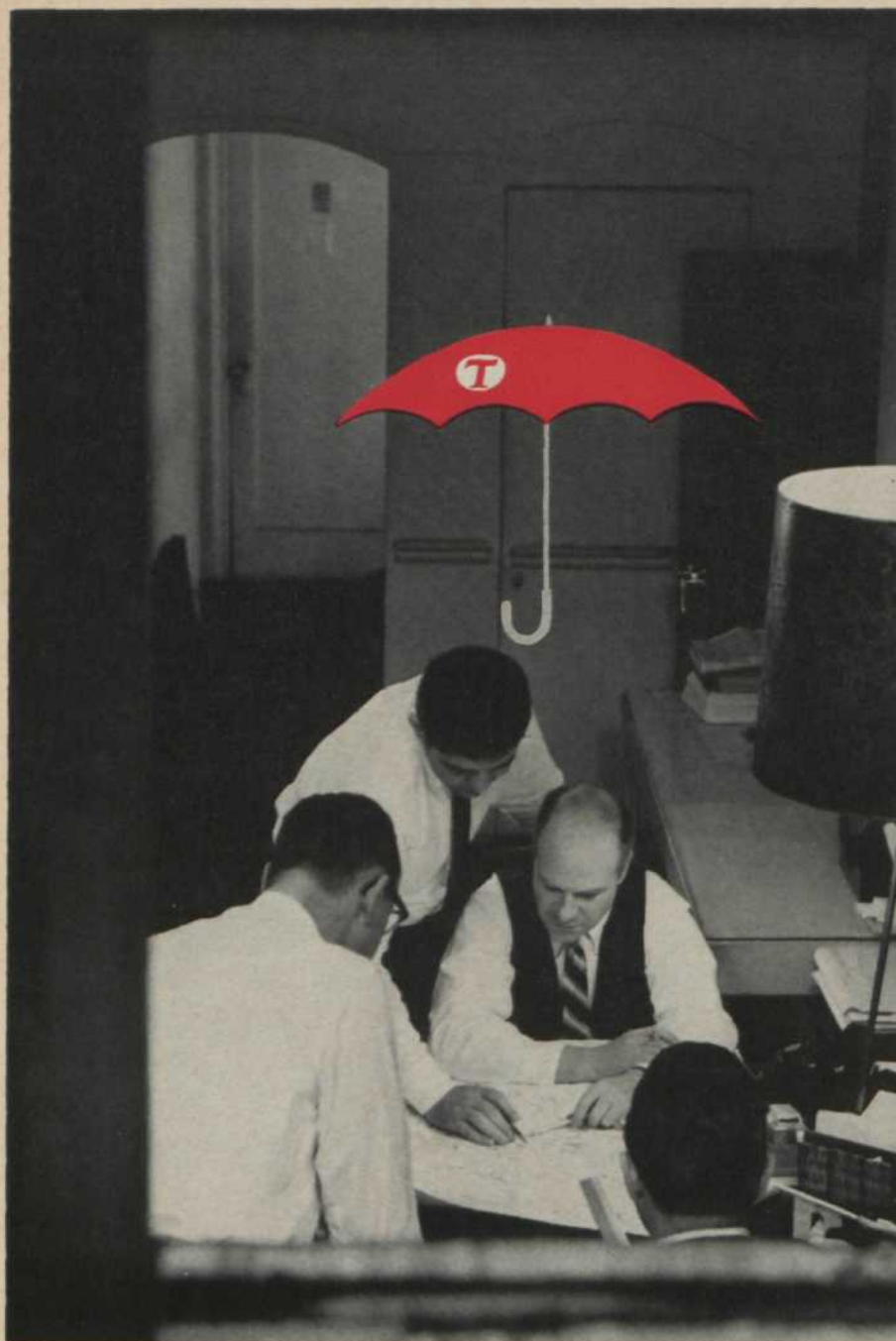
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## LATIN AMERICA

*continued*

has many problems. The prevailing social structure operates as a three-fold brake on economic progress.

First, it stunts the rise of the dynamic elements of society, of men of initiative and push, capable of taking risks and assuming responsibilities.

Second, it is characterized largely by privilege in the distribution of wealth and income; privilege weakens or eliminates the incentive to economic activity, thus working against the efficient employment of men, machines, and land.

Third, this maldistribution does not result in a strong accumulation of capital, but in exaggerated levels of consumption in the upper strata, contrasting strongly with the precarious existence of the masses.

About half the present population has an average personal income of only \$120 per head per year. This half of the population accounts for only one fifth of the total personal consumption of the area. It is underfed, badly clothed, and badly housed—and has the highest reproduction rate.

It is rash to generalize about Latin America, but it is true of most of the countries that the oligarchic rule of a few families has prevented the growth of a healthy political life, and that politics has not drawn the best elements from the populace.

These structural faults will take decades to sort out, and it is clearly unrealistic to expect a rapid amelioration of living conditions by 1970. The main thing now is that the submerged half of the Latin American population, from whom the pressure for change can grow only as they begin to struggle out of their condition, should see that there is hope for them in noncommunist methods.

It is no exaggeration to say that the safety of the subcontinent, and any economic progress at all, is dependent upon the advent of strong reformist governments. Happily, some countries already have these governments, and there are signs that others may have them soon. The example of Cuba has been hardly an encouragement to those who might seek a solution in communism.

### Two factors to watch

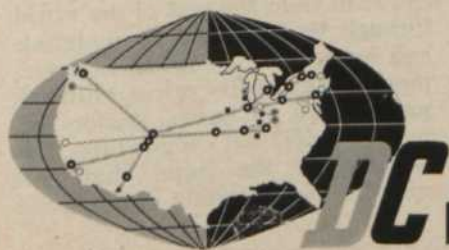
There are two other important factors regarding development: capital flight and the small investment in their own countries by wealthy Latin Americans; and the





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## POINTERS FOR PROGRESS

through trade and professional associations

## LATIN AMERICA

*continued*

external strangulation of development.

The former problem will only be solved gradually in the context of political stability and economic progress. That the latter can effectively stop development has been clearly shown since 1957.

Latin American exports in 1961 were almost exactly the same as in 1956. World trade as a whole rose by almost a quarter during this period. The U. N. estimates that the loss of income in the period 1955-1960 caused by the deterioration in the terms of trade since the early 1950's—admittedly a period of high commodity prices—amounted to \$7.3 billion. In terms of foreign exchange, this almost nullified the effect of the \$7.7 billion net inflow of capital in the same period.

This causes a strangulation effect because the principal Latin American countries already manufacture a large proportion of their needs of consumer goods, but are more dependent than perhaps they care to admit on imported capital, capital goods, and techniques.

This means that, when a country's foreign exchange income goes down, and imports must be cut, these cuts of necessity must be in imports of food, capital goods, or raw materials for industry, thus restricting growth. Between 1958 and 1960 Latin American imports of U. S. capital goods and vehicles declined by 17 per cent; since 1957 Latin America's total output has grown less than two per cent a year—or less than the increase in population.

What of the prospect for increasing Latin America's foreign exchange income in the rest of the 1960's? The Alliance for Progress and other U. S. aid programs may eventually help. World Bank loans to Latin America have been rising. In 1962 the Bank granted \$328 million to the area, more than half its total lending in the year. The Inter-American Development Bank also will play a larger role in coming years.

But the most important factor will continue to be what Latin America can earn from the rest of the world through its sales of raw materials and foodstuffs. The recent improvement in commodity prices, although mostly due to special factors affecting individual commodities, has encouraged the hope that this may be the beginning of a genuine

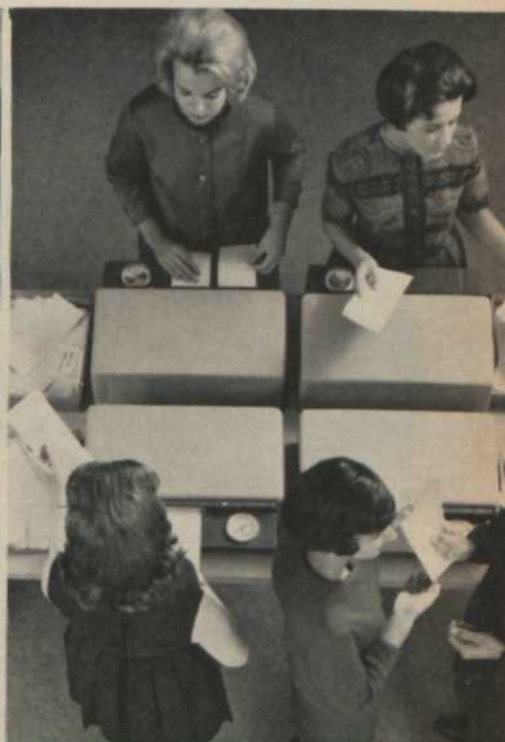


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## LATIN AMERICA

*continued*

recovery in prices, supported by improving levels of economic activity in the U. S. and Europe.

Special factors and political events in any of the countries can, of course, affect individual commodity prices decisively. These are impossible to foresee as far ahead as 1970. But the general picture seems to be one of gradually improving sales of raw materials, particularly minerals.

If this is so, the pressure to conclude commodity agreements—whose effect in any case is rather to iron out fluctuations than to increase the longer-term foreign exchange returns to producing countries by much—will tend to die down.

### Export outlook mixed

World consumption of nonferrous metals is expected to take up most of the current overproduction, thus gradually increasing underlying strength in the markets. Latin American iron ore exports are expected to increase substantially, benefiting particularly Chile, Brazil, and Venezuela.

The outlook for agricultural raw materials, foodstuffs, and beverages is more complex. Sugar should continue to bring substantial short-term benefits to those countries that produce it. Here the Cuban situation is paramount, and if its sugar production were to come back on world markets on any scale, these halcyon days for other Latin American sugar producers could come to a rapid end.

In any case, present high prices should not last more than two years at the outside, although Brazil, Peru, Mexico, the Central American countries, and the Dominican Republic are expected by that time to have acquired a larger permanent share of the market.

The only thing that could come to the rescue of coffee and cocoa is substantially increased imports by Russia and Eastern Europe, where potential demand is high. World consumption of coffee is expected to increase by 2.5 per cent a year, but coffee will probably remain in surplus until 1970 unless there are production cutbacks of the plantings made in the second half of the 1960's. Here the recent coffee agreement may be of benefit.

The great unknowns in the prospects for cotton and wool are possible developments in man-made fibers. The Food and Agriculture Or-

ganization of the United Nations expects consumption of cotton to increase by one per cent a year, wool somewhat faster, with Japanese imports increasing at a much greater rate than those of the other industrialized countries. Prices are expected to remain weak for several years.

Prospects for increased wheat exports depend almost entirely upon other underdeveloped countries, but in Latin America any possible beneficial effects of the Free Trade Association are likely to be partly offset by continued U. S. exports of surpluses and possibly by production difficulties in the main producing countries, Argentina and Uruguay.

World beef imports are expected to increase by one per cent a year, growing faster in Japan than in other industrialized countries. Sales to the United Kingdom and the European Economic Community, which take most Argentine and Uruguayan exports, are expected to increase.

Venezuela, with oil accounting for more than 80 per cent of its exports, should continue to have foreign exchange income higher than that of other Latin countries on a per capita basis. The country's growing iron ore exports will provide additional income with which to buy foreign-made goods.

The Dominican Republic is the only country apart from Cuba which is largely dependent upon sugar. It will prosper.

Both Mexico and Peru, also sugar producers, have diversified their exports and thus will be in a position to benefit from rising world consumption.

The bigger coffee and copper republics—Brazil, Colombia, and Chile—have diversified exports to some extent or are making efforts currently toward diversification. Brazil and Colombia also produce sugar, and Chile has a growing iron ore trade.

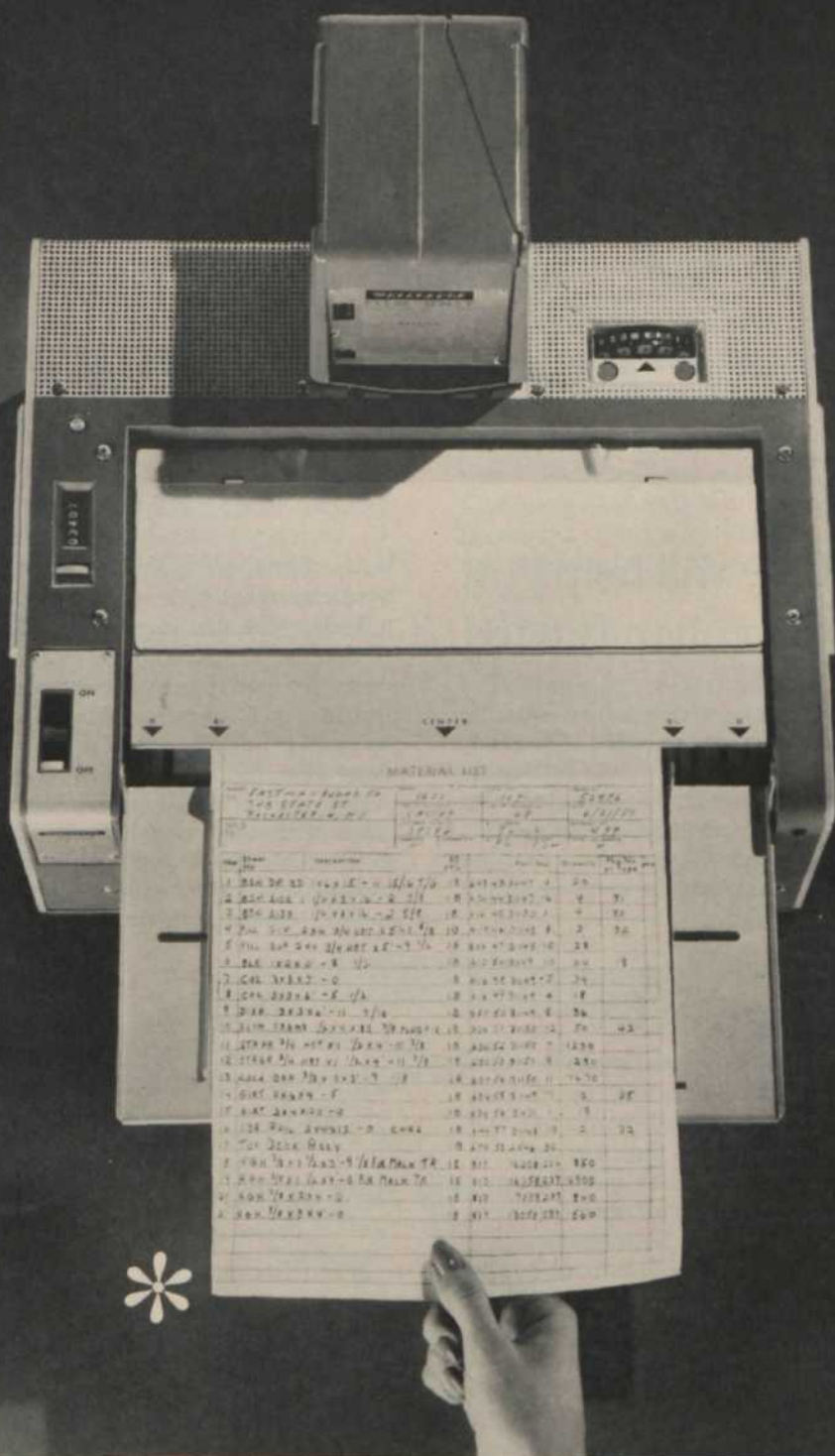
Central America will benefit by the formation of a common market and Ecuador by its special status within the free trade group of South America.

The export prospects of Argentina and Uruguay are less gloomy than have been reported, although political and economic difficulties, particularly in Argentina, can have a decisive effect on supplies for export.

Bolivia and Paraguay are special cases. Both could do well, Bolivia spectacularly so if it can produce enough tin and other minerals at the right price. Paraguay could also do much better.

END





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# HOW TO GO INTERNATIONAL

This useful guide will help you find the services you may need

PRESSURES TO GO INTERNATIONAL are rapidly becoming more intense for growth-minded American businesses.

Most U. S. companies that have accepted the challenge of international marketing have found that:

Exports tend to level seasonal production and reduce overhead unit costs, and thus to increase profit margins.

Imports tend to reinforce a company's competitive position by adding lower-cost materials or better components or equipment that supplements the domestic product mix.

Investments abroad tend to yield larger percentages of profits, in many instances at less capital risk. This is because of demand abroad for consumer and durable goods, plus the ability to pay for them in expanding mass markets. Then, too, broadening government guaranties and investment inducements provide protection for the American businessman.

Complete recovery—and even a pull-out—of equity capital within two to five years is not unusual, especially in the developing countries where investment risk is often high. Liberal depreciation policies, tax holidays, and other investment inducements help U. S. firms to make profits.

What are the built-in problems the newcomer can expect? A tangle of overseas regulations on export, import, and investment procedures; complicated currency transfers; tariff barriers; U. S. tax problems; roadblocks in language and customs, and gaps in communications facilities.

What solutions can newcomers expect? Within the past five years, spurred by growing needs of more

U. S. firms going international, service specialists have expanded their activities rapidly.

Today you can hire experts to take over the mass of details in researching markets; developing sales channels; packing, shipping, and financing exports and imports; spotting plant sites; and studying the investment outlook. You can count on many government aids, too.

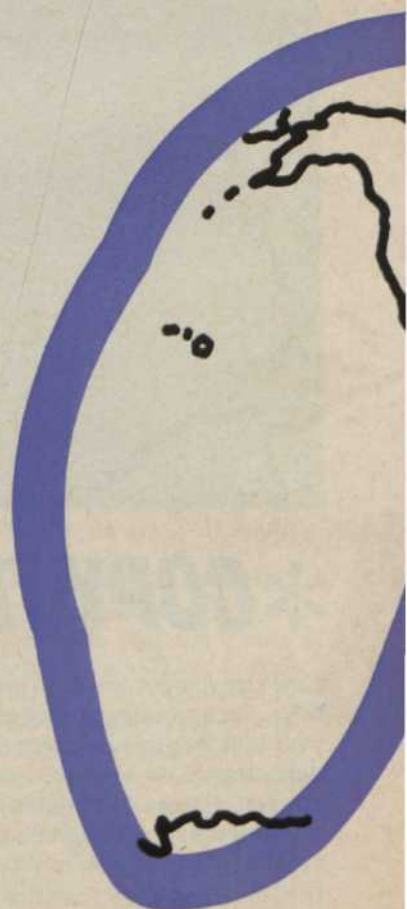
Here in capsule form is a variety of services and some of the new developments that will help you to go international in depth or by degrees:

*Research:* Information is available on retail store audits, brand preference surveys and consumer

Wherever you choose  
to sell in the world,  
you can get advice on:

- Research
- Advertising
- Translation
- Communications
- Financing
- Shipping
- Laws
- Management

*This article was adapted by Alexander O. Stanley from his book, "Handbook of International Marketing," to be published this month by McGraw-Hill Book Company.*





panels, public opinion polls, basic market evaluations, data on population clusters, industrial potentials and political climate trends, analysis of package or label design, competitive price structure analyses, distribution patterns—in fact, all informational guidelines needed to shape and program export, import, and investment operations.

Many domestic research organizations have branched out to Europe, Latin America, and even parts of the Far East to provide research facilities for U. S. clients.

*Advertising:* Today there is hardly a first-line agency that does not have its own branches or affiliates abroad. And this type of representation is not limited to companies with million-dollar budgets. Adequate facilities are available to companies interested in advertising campaigns of more modest proportions through any one of a number of U. S. advertising agencies specializing in the international field.

Your domestic agency can contract for their services, or if your advertising department goes it alone, it can make arrangements directly.

Or you can get expert guidance on a media basis or complete market campaigns from media representatives, since foreign newspapers, magazines, radio and TV stations and networks have agents—mostly in New York City—who can help prepare a campaign pinpointed to any trading center in the world. These

representatives have on file a wealth of marketing data and advertising know-how to construct a campaign to suit your budget.

*Translation:* There are translation bureaus all over the country. Also, some U. S. export publications offer an effective translation service in the area of trans-writing.

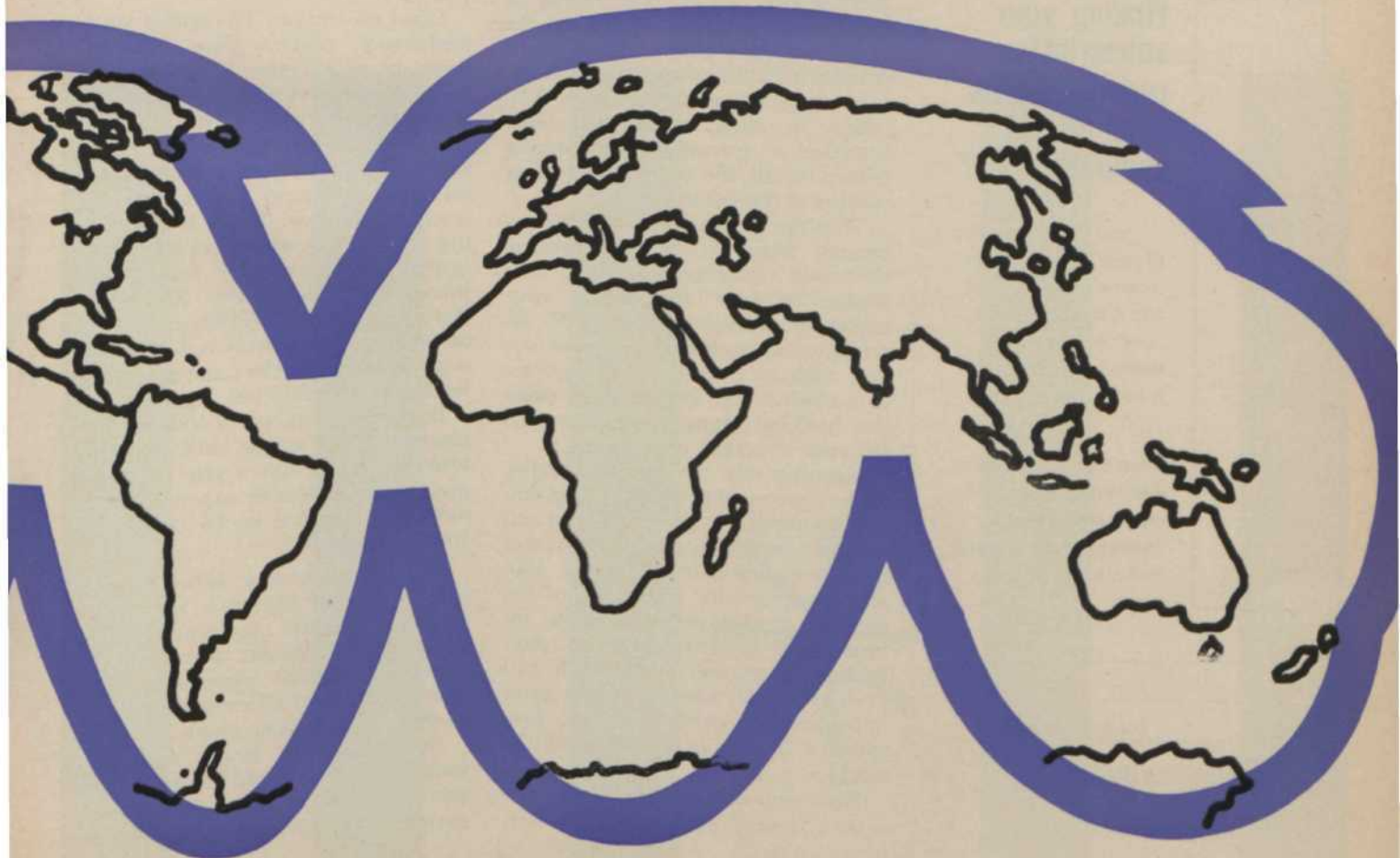
Other sources you can tap are your bank, your local chamber of commerce and nearby universities and colleges where foreign students are enrolled. The latter can at least help in handling correspondence.

The Chamber of Commerce of the United States has much useful material available on foreign operations. Included are such publications as "Foreign Commerce Handbook," "Doing Import and Export Business," "Guide to Foreign Information Sources," and "Activities on American Chambers of Commerce Abroad."

*Communications:* The development of new techniques which can save you money and expand your communication range makes it desirable to establish your communications procedures as early as possible.

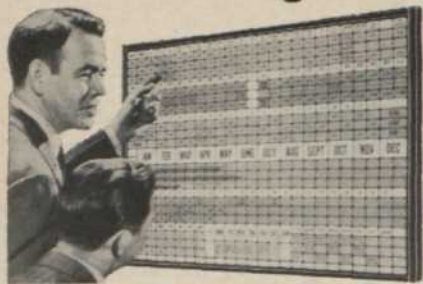
Tips on framing telegrams, preparing copy for facsimiles and transmission overseas are freely available from any of the communications systems.

The RCA Global Communications Reference Book tells you how to compose your overseas message to save on word count, details the various services available and even points up the difference in time





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## GO INTERNATIONAL

continued

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A compact schedule of air and surface mail and parcel post, and maximum weights are detailed in "International Mails" PL7. Listed are the rates to 201 countries or political entities. Your post office can supply a copy.

**Reporting agencies:** Several business firms can help you check the character and capacity of foreign enterprises. Investigation services are also performed by the U. S. Department of Commerce and the Foreign Credit Interchange Bureau, as well as by U. S. banks with international branches and affiliations.

**Financing:** International banking facilities are at hand today in almost every U. S. city. Even if your own bank has no foreign division, it does have contact on a correspondent basis with banks located in U. S. export centers. The latter in turn operate through branches or correspondent banking houses in all the principal trading centers of the world.

Whether it's cashing or issuing a foreign letter of credit, covering outbound shipments with time drafts, or even discounting your overseas receivables, the U. S. international banker today provides you with an abundance of services at a modest fee, and in some cases the banking charges are absorbed by your overseas customers.

Keeping tabs on exchange rates, on foreign regulations affecting dollar payments on the goods you sell abroad, on the money and market conditions prevailing in some 100-odd countries are just a few of the services performed today by international banking facilities. And their new-business departments will even send you leads on fresh sales opportunities which flow from prospective buyers in all parts of the world.

Factoring is also penetrating the export, import, and overseas invest-

ments fields. You can now discount overseas consumer installment contracts, arrange for revolving credits on exports and imports, get advances on receivables and for inventory acquisitions.

**Accountants:** Whether your international operations are to be limited to exporting or your plans include overseas investments as well, you will need accounting counsel as much as legal counsel. Developing the proper organizational form requires careful attention to comparative tax factors (both U. S. and foreign); maintaining it to get maximum returns is a matter of effective accounting controls.

Since there are differences in laws, practices, and accounting language in overseas markets, reconciling these is a matter for the expert—the accountant with international know-how.

Many U. S. accounting firms of national scope have developed international capabilities in recent years. Whether it's a matter of interpreting foreign balance sheets to arrive at a credit limit, drawing up balance sheets of foreign-based subsidiaries to satisfy local regulations, or making operational evaluation studies or comparative tax studies, you can count on effective help from a growing body of U. S. accountants.

**Legal protection:** To register your trademark, protect your patents, draw up an effective licensing contract, or get advice on the organizational structure that will benefit you from the standpoint of tax and trade advantage, look to legal counsel from attorneys specializing in international law. There is a growing list of U. S. attorneys who concentrate on particular aspects of international law. The American Bar Association, Section of International and Comparative Law, Chicago and Washington, can give you leads to international legal aid.

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## GO INTERNATIONAL

continued

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## GO INTERNATIONAL

continued

house brokers as well as import merchants and commission houses from the National Council of American Importers, Inc., New York.

**Management consultants:** A number of management consultants presently offer services overseas.

Some of the more prominent firms in the past few years have created separate international divisions to provide a wide range of services overseas equivalent to those available in the U. S.

Others, specializing only in the international field, have opened branches in the key industrial markets abroad to render on-the-spot studies for a growing list of both U. S. and overseas companies.

**Management service organizations:** If your operations reach the point where a base or holding company overseas is a logical step, you can hire a management service organization to help set up this complicated structure. It will attend to the formalities and, if necessary, even manage much of the detail of your holding company. Such organizations are discussed in the research report "Organizing Foreign-Base Corporations" by E. B. Lovell, published by the National Industrial Conference Board.

What are the built-in means by which the newcomer can go international? There is the indirect or push-button approach which involves several variants.

Export brokers or commission merchants can keep you clear of all complexities. You can get your cash quickly but you have no continuity in or control of marketing; don't know where or for what price your goods are sold overseas and run the risk of losing markets to more aggressive competitors.

Combination export managers work under a retainer and/or commission type contract as your export department. They free you from the mechanics of overseas marketing, shipping and financing, but your product line competes for time and attention with all other goods that make up the manager's product-mix.

The Webb-Pomerene trade associations are another vehicle for combined exporting. Companies can, under certain conditions, develop a cooperative sales organization to fend off foreign competition in international commerce. Here again it is the diffusion of market-

ing effort among the many products that diminishes maximum sales and profit potential for individual products. Details on such associates can be obtained from the Federal Trade Commission, Washington.

Cooperative manufacturing export departments are another means of spreading the cost, and the effectiveness, of exporting overseas. There are two variations: 1, Turning over all exporting to a locally based manufacturer whose export department has the spare time and the staff to promote sales of related, but noncompetitive, products on a share-the-cost basis and, 2, the "mother hen" concept. Here companies with established export divisions take under their wings newcomers to the export field in their locale. They train them in the various export disciplines, under day-by-day working conditions, and help them eventually set up their own export departments, guiding them through the start-up phase.

Overseas contract manufacturing and distribution is a comparatively new technique and can be used for limited or major objectives. One approach is to "hire" U. S.-based companies which have access to manufacturing contractors or affiliates abroad with excess plant capacity. Another method, recently tried on a limited scale, is to contract with overseas-based U. S. subsidiaries in noncompetitive lines to manufacture or distribute product lines under contract.

All these part-time, push-button methods can only be regarded as export expediences. In most instances they leave the individual firm exposed to sales and profit attrition from stateside and overseas competitors. The direct approach, of course, is to set up an international activity within the company. This can be done fairly simply, or through more sophisticated structures which encompass overseas branches, subsidiaries, licensees, joint ventures and affiliates.

Such elaboration, however, is not the immediate problem for the average U. S. firm. More to the point is the need to take a look at the competitive realities of today as these stem from export and import expansions all over the world.

—ALEXANDER O. STANLEY

REPRINTS of "How to Go International" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 from Nation's Business, 1615 H St., N.W., Washington, D.C., 20006. Please enclose remittance with order.





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## LOCAL GOVERNMENT

*continued from page 39*

the trend toward more and more centralization represents a great danger to the kind of government which we have historically had, and which we will need in the future.

Of course, one reason why some states have failed to live up to their responsibilities is that pre-emption of tax sources by the federal government leaves less and less money with which the states can meet their obligations.

**Are state officials really any closer to the voters than are the representatives in Washington, what with today's travel and communications?**

Yes, I think so. It may be in some ways partly psychological. The citizen is far more likely to call on his city councilman, or his school board member, his county commissioner, or his governor, and make his problems known than he is to attempt to deal with his U. S. representative or senators, and certainly more so than with any of the bureaus in Washington which seem far away and not subject to his control.

Perhaps the federal program that worked best, when you consider all things, was the draft program. And I think that the reason was the local draft board.

Of course my view is necessarily conditioned by my experience in Colorado. I know that the volume of mail and telephone calls and requests for appearances is much our congressional delegation's offices.

I have a program we call our governor's forum. I travel the state, taking with me selected members of my cabinet, department heads, and conduct two-day meetings in various parts of the state in which we seek participation and interest through questions, comments, suggestions, from the people in the area.

**Should the states give local governments more power to consolidate, to tax, to incur indebtedness, so they could meet their problems better?**

There is a great deal of work that needs to be done in this field.

Practically all states have a system of local government that was organized a great many years ago, and it has been added to and not pends on the property tax, which is organized efficiently. Further, in most areas, local government depends perhaps an outmoded form of taxation. In any event, it has been used

to such an extent that reliable alternatives must be found.

In our state we have begun a study in depth of the organization of local government and its financing. We have a citizens committee of 100 people which includes members of the legislature, and appointees who represent other levels of government and other interests. We contemplate it is going to be at least a two-year study program.

We are going to start with the analysis of what services the various local government entities provide; how are they financed; who uses the services. And we hope to modernize our local governmental system, because it must be kept strong and efficient.

In Colorado, and I am sure it's true in most states, we have a continuous proliferation of special purpose districts. We have the counties which were designed in the time when transportation was by horse

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Is federal aid necessary to solve the unemployment problem? Successful state programs show the answer is "no." For a useful example, see **page 62**

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rather than by modern means. We have whole new cities. We have school districts, of course. We have been successful there in stimulating a voluntary consolidation of school districts, and it seems to me to point the way toward perhaps solutions in other fields; further consolidation and further efficient organization.

**What are the particular efficiencies and benefits of government on the state level as contrasted to federal?**

Well, let's start with the functions that the states now are handling without question or quarrel. They handle the local court system. They also run institutions, the rehabilitation of those who are mentally ill or retarded, the penal and correctional institutions. And there's no thought that these functions should be removed, although there have been moves in the mental health field to provide additional federal money.

We also, of course, are in the business of education; primary and secondary education, and state-supported education beyond the high

school. Again I don't believe there is any thought that these functions would better be served on a federal level, with the possible exception, again, of those who wish to provide additional money by the central government taxing and returning money to the states. It seems to me that these functions are better handled on a state level and will continue to be better handled on a state level.

Then there are welfare problems. Again the federal government has intruded itself into these fields. Now there is the issue of whether a federal plan should be established for health care for the aged under social security.

Just on the basis of pure mathematics and efficiency, it does not seem to be sensible that money be obtained by federal government taxation, taken to Washington, and then returned to the states. There is a loss involved in the process itself.

And although the federal government does have an interest in the fact that all people, regardless of what state, have proper education, or that misery and suffering be alleviated, it doesn't seem sensible that if one state, through a lack of proper economic basis, or two states, or three states, need help from outside, we should then make the same pattern apply to all of the states in the nation.

It is like pulling all the teeth in both jaws in order to be sure to remove the one with a cavity.

**Some people think that federal grant-in-aid programs present a jungle of political and financial procedures. Do you think that this is so, from your experience in the governor's office?**

Yes. We find it in so many areas. The highway program, of course, presents one form of government grant-in-aid and certain regulations; the U. S. Employment Service, unemployment compensation, welfare programs; all provide rather inflexible standards and procedures, none of which is the same. They needlessly complicate government in its present form.

**Should there be a periodic review of the various grant-in-aid programs?**

Certainly I'd be in favor of that. But I think there should rather be a definite effort to return tax sources to the states along with the responsibilities.

Inevitably, regardless of how efficient this review might be, or regardless of how efficiently you run governmental programs, if we in the United States continue to expand



the area of government into more and more fields, the cost of government will increase.

And there is a point—and just exactly what the point is I don't know—at which the government becomes so large that we change the basic governmental and sociological concept we have all adhered to.

**What functions that are now part of the grant-in-aid program should be turned back to the states?**

The welfare field should be a state and local problem. They should let us have the tax sources, the tax revenues. But, although I'm in favor of turning back some functions, I think it's most important that we make our defense and not let this move toward centralization increase.

The evident desire of the present central government to intrude itself into the field of education, into the field of medical care, is an example of the continuing trend toward centralization and movement to Washington.

**What about the problem of retraining workers, for example? Is this something that can be done better on the state or federal level?**

With the funds available, it certainly would be better done on the state level. We are more cognizant of the local needs, the desires. We are, of course, already heavily in education of all kinds, including vocational and retraining education. The states, I am sure, are in a better position to handle retraining than is some bureau far removed from the scene.

**Governor, do you know of any federal control that has come about as a result of federal aid programs?**

The aid to needy and the aid to dependent children programs have provided sets of standards which run contrary to the legitimate desires of the local county officials who are administering the aid. And those who complain are met with the answer that they cannot handle it a different way because of the federal standards.

I find that, in the outlying parts of the state of Colorado, local citizens or local officials often comment that welfare should be handled to a greater extent on the county level than on the state level. They make the valid point that they are in a better position to judge the possible abuses and the needs.

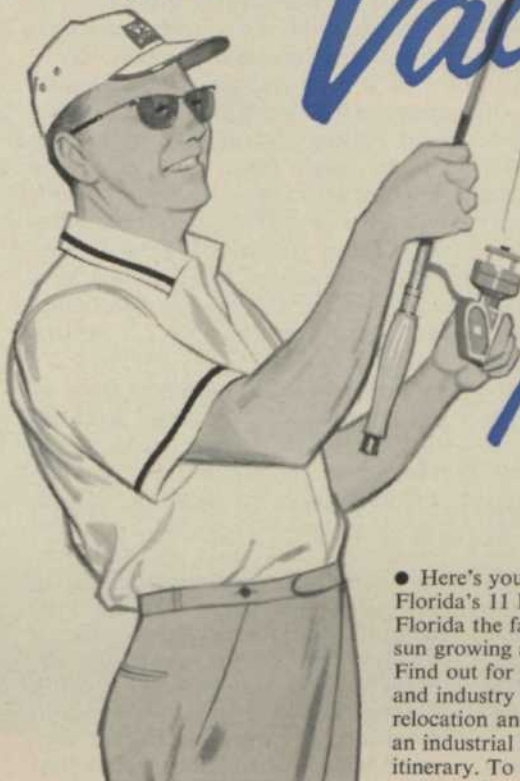
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## LOCAL GOVERNMENT

*continued*

### **block grant rather than specific grants for specific purposes?**

If we were to buy the concept of the money being collected in the states and sent to Washington and then returned, if we have to go that far, then I would prefer to have the money returned to the states without strings attached.

As a matter of fact there has been a suggestion that the federal government return a percentage of the income taxes collected in a state to that state for education purposes. Now this seems to me waste motion if we could divide the tax sources.

In Colorado, for example, our general fund budget is roughly \$135 million on a fiscal year basis. This isn't the entire amount of money we spend because there are many earmarked funds—the highway department, the game and fish department, and so on. We spend in total about \$350 million to \$400 million.

On the other hand, the federal income tax take out of Colorado last year was some \$1.2 billion. Now the comparison there indicates that we would have relatively little difficulty in financing the expansion that we need in our education beyond the high school program as a result of our increased population and the number of young people seeking this kind of education. We would have very little problem financing it if we could have just a portion of these funds left in the state of Colorado.

Obviously, there are federal programs which require large sums of money—national defense, and so on; but certainly to increase the amount, or even to continue to take the present amount of money out of the state, and then talk about expanding programs from the federal level doesn't make me very optimistic about the continuation of the federal system.

### **Total state government spending has increased about five-fold since the war. Do we need a new kind of tax structure?**

What I think is worth accomplishing is the readjustment of tax sources from the federal government to the state, whether you do it by a credit against federal taxes, whether you do it by rebate, whether you do it by reduction of federal taxes for a consequent increase of state taxes. If we reduce the federal tax we must, of course, consequently reduce the area of

activity of the federal government.

### **Do you think state governments can meet metropolitan area problems better in the future?**

Yes, I do. Let me give you the example of Denver.

We have a large and growing metropolitan problem in Denver. Denver is not only a city, but it's a county and it's a school district, and a congressional district, too.

As a consequence, when Denver annexes adjoining territory it takes land away from the adjoining county and from the adjoining school district, and it makes for uncertainty in administrative planning. It has caused all sorts of problems, not the least of which has been a psychological sort of competition. It's a problem that we all realize has to be solved.

Again, the citizens committee of 100 I spoke of has been working in this area for a great many years, recognizing the problem.

If this problem is to be solved, and it must be, it will only be solved by the work on the local level which has a reasonable chance of securing the backing of the citizens. If you attempted to have a Washington bureau or board attempt to solve the problem, I think it would prove impossible. I would imagine that in line with their proposed solutions in other fields that Washington would simply come up with the recommendation that more money be added.

### **You don't think we need a Department of Urban Affairs, then, in Washington?**

No, I certainly don't.

### **Governor, what will be the impact of the Supreme Court decision allowing people to take reapportionment disputes to the federal courts? Will states be more responsive to needs?**

Well, that decision, together with other movements across the nation, has had its effect already in the stimulation of reapportionment of many state legislatures.

Again using Colorado as an example, in the last general election there were two amendments to the State Constitution proposed in connection with this problem, one of which would have required the reapportionment of the legislature solely on the basis of population, the other, a "Federal Plan," which provided that the lower house be apportioned strictly on the basis of population, and the senate, the upper house, be apportioned partly on population but also giving some rec-

ognition to the geography of the state.

The Federal Plan was approved by the people in the last general election. And it has been implemented by our legislature.

This approach was opposed in the federal courts, but a three-man bench of federal judges dismissed the complaint and upheld the Federal Plan. Whether this will be appealed to the Supreme Court, I don't know; but there are similar cases pending in the Supreme Court which will decide whether area, tradition, history, geography—factors other than population—properly have a place in the apportionment of legislatures.

### **What responsibilities do businessmen have to the state government? Should they become more deeply involved in state politics?**

As a general rule, they are not involved nearly enough. Perhaps it's part of a larger problem. For a great many years a great many people felt that the participation in politics was somehow immoral and that nice people, proper people, didn't do it; that you turned your back on it. This, of course, is nonsense. There are many movements which recognize that politics is the art of government, and that unless we properly run the type of government we have that we will lose it.

I think this general attitude has been even worse, perhaps, in regard to state government, state politics. It has been a stepchild even to a greater extent than government at other levels.

The state government needs, not only from businessmen, but from all citizens, their interest and their participation.

### **Would you say that state government can have a rebirth, a new role it has not had in recent years?**

Yes, I think it can. It's going to require not only the interest and participation that I speak about on the state level. Certainly each state must put itself in order. But it also is going to take the kind of successful interest and participation which will change the general thinking in the central, the federal government.

If we can work right in the precinct, the county and the state, and certainly in the national elections, we can reverse the trend toward centralization, or at least halt it. I am firmly convinced that this is one of the most important things that we can do to protect the kind of society and government in which we have prospered and progressed. **END**



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# *Coming:* **NEW LOOK AT BUSINESS REGULATION**

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## Congress will investigate agencies' tactics

CONGRESS WILL SOON make an important new investigation of the way all federal agencies handle government's day-to-day dealings with business.

Support is growing for bills to overhaul government procedures and to even the balance now rigged in favor of the regulators.

The bills would affect the company or individual seeking a new TV license, airline route, patent, or research and development contract, protesting an Agriculture Department order or denial of a veteran's pension, appealing a government contracting officer's ruling, or wrestling with a labor dispute.

President Kennedy has said that delays in procedure and failure to develop clear regulatory policies hamper agency ability to "further the expansion of certain facets of our economy, as well as the basic tenets that underlie our system of free enterprise."

Senate Minority Leader Everett M. Dirksen charges that most citizens exposed to the regulatory process complain of "delay, costliness, difficulty in finding out what to do, where to do it, how to do it, a feeling that there are no guidelines within which and by which the system operates, and, if unsuccessful, a feeling that the proceeding was not fair."

The main goals of one proposal, sponsored by Senators Dirksen and Edward V. Long of Missouri, are to promote the more efficient operation of the government's bureaus, boards and agencies that administer some 106 regulatory laws, and to protect the rights of people who deal with them.

A highlight of their bill would forbid an agency even to begin an action that



could lead to a penalty or fine, revocation or suspension of a license, a cease-and-desist order, or a similarly severe move without convincing the equivalent of a grand jury that it had probable cause to do so.

Proponents feel that this should help deal with complaints that the agencies put businesses to a lot of time and expense defending themselves against unfounded charges.

A further requirement that the agency's moves could not be made public until the jury panel acted would at least reduce complaints of prosecution by press release.

One congressional expert comments that an agency lawyer was horrified at the thought of an administrative grand jury encroaching on regulators' preserves. "It's a perversion of the whole theory of administrative regulation," he said.

Hearings on the bills will start later this fall.

You can expect testimony citing concrete cases in support of reforms, criticism of existing law by independent authorities, and reports generated by the presidentially appointed Administrative Conference of the United States.

The hearings will focus on such problems involving business as:

- ▶ Denial of elementary fairness to individuals and business firms involved in cases with federal agencies.
- ▶ Costly, time-consuming procedures that result from a lack of policy to guide the public or the agency staffs, and that do little to develop such policies.

Critics charge that citizens dealing with government get shortchanged on their rights to legal representation and information vital to their interests. Your right to have full legal representation now is guaranteed only in "proceedings." Investigations, even though they may reflect unfavorably on a business, are not considered proceedings.

For example, the Kroger Company and other food chains were denied the right to have a legal representative enter objections, make statements, or examine a client in a Federal Trade Commission public investigation—not proceeding—concerning milk prices in Indiana. Here the Commission was overruled in court.

#### **Who said what?**

Another complaint is that you often can't find out who accused you of something. This is not confined to the regulatory agencies.

Senator Dirksen cites an Illinois corn farmer whose acreage allotment was reduced because somebody challenged his earlier planting record.

The farmer wanted to know who said what.

The Agriculture Department's position was that "release of the information would impair the legitimate interests of the persons supplying the information" and "would result in less effective administration of programs."

The complaint went all the way up to Agriculture Secretary Orville L. Freeman, but the farmer lost.

In a Trade Commission case, some witnesses who had been questioned by agency investigators testified against a food chain. But the Commission refused to answer when asked whether the investigators had turned up any information favorable to the firm.

The same agency refused in another case to let the defendant see documents spelling out its own interpretation of a number of laws concerning price-fixing.

The National Labor Relations Board regards its manuals of instruction for field personnel as classified information. And, in one case, the Labor Department tried to keep an employer from seeing statements of certain employees although they had already been publicly identified as having made statements.

The Securities and Exchange Commission held (*continued on page 106*)



# For the Executive Who Wants to Know What Is Happening in Congress—and Who Wants His Employees to Know...

IN BRIEF

## HERE'S THE ISSUE

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... In Congressional Debate on

### Davis-Bacon Act Reform

The  
Problem

The Davis-Bacon Act was passed as "emergency" legislation in 1931, when the U. S. Government was embarking on a public works program.

The bill was designed to protect local building trades workers and prevent contractors from bringing lower-paid workers into the area. It provides that "mechanics and laborers" employed in Federally-financed construction be paid "the prevailing wage" in the community.

In recent years, the expansion in Federal loans and grants for construction has enlarged the economic impact of the law. In 1945, for example, 3,884 wage determinations were made by the Department of Labor; now almost 50,000 wage determinations containing approximately 5,000,000 individual wage determinations are issued annually.

The increased impact of the Act has emphasized the importance of the sharp criticisms that have been directed both at the Act and at its administration. It is charged that unrealistic determinations have unnecessarily increased the cost of government construction, that they have fostered jurisdictional strikes. Most important criticism is that aggrieved parties have no opportunity to present their case to impartial courts for judicial review.

At the same time, the changing pattern in the wage structure has



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## REGULATION

*continued*

that parties under investigation are not entitled to inspect all answers to questionnaires sent to customers in a case involving suspension of a broker-dealer's license.

The Commission also argues that individuals who testify in closed investigations must not be allowed to obtain copies of their own testimony for fear this might promote "coaching of witnesses," according to Commissioner Manuel F. Cohen.

A committee of the Administrative Conference criticized this type of thinking as presuming perjurious intent in a witness who may simply wish to check the way his own words are quoted in the transcript.

These problems of information in specific cases are believed partly to blame for the frequent worthlessness of informal conferences and other attempts to pare a dispute down to the real issues before a formal process begins.

### Government balks

Government agencies naturally resist giving the defendant a bill of particulars. After all, they have little to gain, what with sweeping powers of investigation, testing, inspection and expert knowledge far beyond the capacity of many private groups or individuals.

"No matter how generous the hearing officers," said an Administrative Conference committee, "one can scarcely doubt that the agency rights are, in Orwellian terms, 'more equal' than the rights of private citizens."

Daniel J. McCauley, Jr., a former member of the Securities and Exchange Commission and former Trade Commission general counsel, says:

"Doubtless attorneys who practice before a particular agency and who are knowledgeable with respect to the agency's procedures . . . can find their way through the rules and evaluate their chances for obtaining the desired information.

"I must confess, however, that this Philadelphia lawyer has been unable to understand in depth some of the regulations of agencies with which he has had no previous experience."

Another problem is how to insure that the results of formal procedures will be based on the record.

Professor Roger C. Cramton, of the University of Michigan Law School, says of certain Interstate Commerce Commission rate cases:

"A hearing examiner, for example, may prepare a seemingly well reasoned recommended report; in [another] section . . . the report writer may take a different tack and prepare a final report which does not draw very heavily upon the examiner's recommended report; finally, in the section of review the reviewer may reject the report writer's approach and substantially adopt the examiner's report as the basis of a new draft order."

One study concluded that the disagreement between examiner and Commission was largely due to the Commission drawing different conclusions from the same facts or applying a different policy.

An Administrative Conference panel warns that, "It is at least sometimes possible for a hearing officer to learn matters from the agency technical staff that a defendant would wish to refute or subject to cross-examination if he could know it was available to the hearing officer or the agency."

At the root of many of these problems is the fact that agency heads and others with final responsibility would be overburdened with a crushing caseload if they tried to handle a fraction of their agencies' dealings with the public.

But while they delegate activities, they have all the responsibility and authority.

Federal Appeals Judge Henry J. Friendly urges that the agencies draw up more specific policies.

A congressional committee should not try to do the job of setting policy for an agency, he says in his "The Federal Administrative Agencies: The Need for Better Definition of Standards."

"A more useful role would be for the committee to press the agency for policy statements, and not be satisfied with such weaselings as we have seen. . . ."

Delegation of responsibility being inevitable, says Judge Friendly, "definition of standards is required if the agency members are to be the masters of the staff rather than the slaves of anonymous Neros, each fiddling his own tune."

If the agencies give more time to policy-making, add other experts, processing time and workloads will be sharply cut.

There will be less temptation to file applications in violation of explicit policy, they say, and those that are filed can be handled more quickly with clear guidelines.

Criticism of the Interstate Commerce Commission provides a case in point.

Professor Cramton notes that although the Commission applies its powers to make general rules involving safety and some other matters, it rarely creates policies governing the setting of rates on other than a case-by-case basis.

"Some critics would even assert that intelligible standards have not emerged from the process of case-by-case adjudication, with the result that members of the industry are encouraged to litigate because of the inability to predict results in advance of the agency's ad hoc decisions," he says.

### Giant poker game

This lack of standards also contributes to the defeat of prehearing conferences designed to speed cases, as well as the hearings themselves.

"The settlement conference in recent cases has resembled a giant poker game," says Professor Cramton. The company puts its best foot forward with a concrete proposal, the agency staff shifts to the position of opponent, third parties join in with their own bargaining power before anything seriously gets under way.

The congressional hearings also will probably air complaints that such agencies as the Trade Commission often pursue complaints with little apparent justification (see "Growing Issue: High Cost of Justice," May, NATION'S BUSINESS).

How would the bills—based in part on recommendations of the Hoover Commission, two Administrative Conferences, the American Bar Association and law school faculties—deal with these and other problems arising under the administrative system?

First, they would strengthen the position of hearing examiners, whose decisions in any case would be final unless appealed on certain specified grounds to safeguard the rights of individuals against arbitrary decisions or error.

Special appeals boards would be established to hear these cases, but would only consider issues on which the appeals were based, thereby avoiding the full-scale rehashing of cases and addition of new issues by the agencies late in the game.

Decisions of the appeals board would be final, unless the accused appealed to the agency itself. (This avenue would be barred to the agency staff.) Here again, the appeal would be based on specific grounds and would be considered on those grounds alone.

The bills contain sections de-





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## REGULATION

continued

signed to strip the needless secrecy from the workings of bureaucracy, with exceptions limited to purely internal communications of an agency and considerations of national defense.

There is a provision that in the case of opinions and orders involving countless relations between agencies and given companies, identifying details could be omitted to safeguard legitimate business secrets.

Two other provisions, one making the setting of rates the subject of strictest formal procedure and the other limiting contacts between agency sections, are designed to make sure that on-the-record proceedings are just that.

To offset the advantage now enjoyed by the agencies, private parties would be assured of wider powers to subpoena witnesses. This would be coupled with greater rights of the individual to learn what the government's case amounts to in advance of hearings, through proceedings similar to those available in the courts.

Witnesses in any type of action would be assured of full rights to legal representation.

Fuller use of prehearing conferences would be encouraged, plus expanded recourse to informal negotiations.

Although these reforms appear procedural, they were designed to force the agencies involved to develop up-to-date policies, declare them as openly as possible, and see that they are followed. **END**

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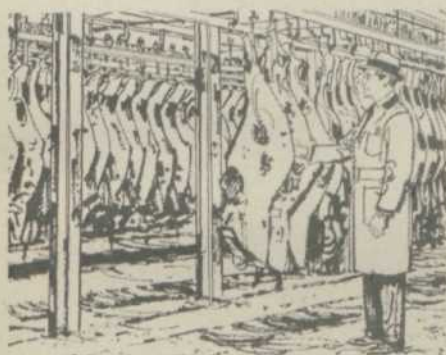
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## FOOD PROCESSING IN 4-STATE AREA OF SOUTHEAST PASSES BILLION-DOLLAR MARK

*Production in Alabama, Georgia, Florida, Mississippi  
More Than Doubles U. S. Rate of Gain for 10-Year Period*

Processing of foods and kindred products throughout these four Southeastern states has grown tremendously in the last 10 years. Value added by manufacture (processing) of meats, canned and frozen foods, beverages, and other such products increased from \$344,652,000 in 1951 to \$1,073,023,000 in 1961—a 211.3% gain versus 91.6% for the nation.\*



In the 10-year period ending 1961, payrolls in food processing in the 4-state area have increased over two and a half times. Salaries totaling \$164,080,000 in '51 soared to \$438,357,000 in '61—an increase of 167.2% compared with 73.6% for the U. S. In 1961 there were 114,022 people employed in this fast-growing industry. This represents an increase of 70.4% over 1951 and is in contrast to the national gain of 15.6% during the same period.

Since 1961 the continuing rapid growth of this industry in the 4-state area is evidenced by more than \$66,900,000 in completed or committed plant construction.\*\* In addition, numerous experiment stations throughout the area continue to develop new food products and new processing techniques

that stimulate even greater growth and diversification.

To meet the ever-expanding needs of this dynamic food processing industry, and other industries in the 4-state area, The Southern Company system continues to increase its electric power facilities. During the period 1952-62, inclusive, the affiliated companies—Alabama, Georgia, Gulf and Mississippi Power Companies and Southern Electric Generating Company—have spent \$1,336,000,000 for generating plants and transmission and distribution facilities. Another \$570 million expansion program is planned for the period 1963-65.

It all adds up to opportunity; vital, moving forces that can help your company grow!

Significant and continuing growth in this four-state area is shown by these pertinent comparisons.

	4-State Area	United States
<b>Rate of Gain 1952-1962</b>		
Manufacturing Employment . . .	24.3%	0.7%
Non-Manufacturing Employment . . . . .	39.3%	19.8%
Total Cash Farm Income . . . .	32.0%	13.9%

Sources: U. S. Dept. of Commerce and  
U. S. Dept. of Agriculture

*The last half of the twentieth century  
belongs to the South!*

Sources: \*1961 Annual Survey of Manufacturers, U. S. Dept. of Commerce. (Latest available figures.)  
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In fact, the politicians are increasing our debt by at least as much as the tax reduction—or an array of programs of highly dubious national interest. Included are so-called area redevelopment projects, accelerated public works and other pork barrel projects that favor one community at the expense of others.

It's like that old April Fool trick. A dollar bill lies invitingly on the sidewalk. An unseen string is attached to it. As you reach for the dollar, the trickster holding the string jerks away the dollar.

A similar trick is played when as many billions are spent for vote-buying programs as are given in tax reduction.

Unless wasteful spending is reduced, tax dollars will eventually have to be jerked back to pay for it.







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